

NATIONAL DAIRY MARKET NEWS AT A GLANCE**CME GROUP CASH MARKETS (10/28):**

**BUTTER:** Grade AA closed at \$1.8800. The weekly average for Grade AA is \$1.8720 (+.0135).

**CHEESE:** Barrels closed at \$1.7675 and 40# blocks at \$1.7725. The weekly average for barrels is \$1.7400 (+.0350) and blocks, \$1.7270 (+.0085).

**BUTTER HIGHLIGHTS:** The CME Group cash butter price strengthened early in the week and closed the week at \$1.8800, 2 cents higher than last Friday. Churning schedules across the country remain active, although churning cream supplies are starting to tighten. Class II operations are gearing up cream based holiday item production which is tightening cream offerings to the churn. Some butter producers are looking to procure butter volumes from outside sources to maintain delivery commitments. Butter producers and handlers are stating that they have a fairly good picture of year end needs and are aligning current production schedules with inventoried stock for those needs. Butter demand remains active, although orders are tapering back as most holiday and yearend needs are already on the books for shipment over the next 6 - 8 weeks. Some retail feature activity is starting to appear in print ads and is expected to continue into December.

**CHEESE HIGHLIGHTS:** The cheese market is unsettled though with a stronger undertone late in the week on the CME Group cash cheese market. Packaging operations are busy, but activity seems to lack the usual pre-holiday "urgency". Process interest is steady to slower. Commodity cheese offerings are generally adequate though some tightness continues on certain specialty varieties, at last for some manufacturers. Mozzarella and hard Italian interest is solid. Cream cheese production is steady to heavier for anticipated yearend holiday season use. Aged cheddar interest continues spotty. Cheese production is seasonal. Cheese yields are improving. On October 24, the Kansas City Commodity Office announced awards under Solicitation AG-DPRP-S-11-0234-P001, Invitation 20000000565 to purchase up to 119,911,680 pounds of mozzarella for January - December 2012 delivery. The award is about 1 million pounds more than the contracts awarded last September.

**FLUID MILK:** Milk production continues to be at the seasonal low point in the Northeast and Mid-Atlantic regions. Milk volumes in the mid to upper Midwest are steady to slightly lower. Milk components are rebounding to near annual peak levels. California milk production is mostly steady to slightly higher and at levels above a year ago. Milk production in New Mexico is tending to flatten out at current levels. In the Pacific Northwest, milk production is following expected levels with handlers able to balance supplies with local production facilities. Utah and Idaho milk supplies are mostly steady and in balance with expected production levels.

**DRY PRODUCTS:** Central nonfat dry milk prices are mixed, with a weaker trend dominating price movement. Eastern nonfat dry milk prices continued to work lower for both low and high heat. In the West, prices

continue the general trend lower with a weak market tone. Central and east dry buttermilk prices declined marginally on the upper end of the range. Western dry buttermilk prices are trending higher as the market undertone continues to firm. Dry whole milk prices are unchanged at the top of the range and one cent higher at the bottom. Central edible dry whey prices are steady while in the northeast, prices moved significantly higher due to both spot market activity and contract formulations. Western dry whey prices are uneven with a two tiered market developing, for domestic and export markets. Whey protein concentrate 34% prices are mixed. Lactose prices on the mostly remain steady. Casein markets and prices are generally holding steady.

**INTERNATIONAL DAIRY MARKET NEWS (DMN):** **Western European** milk production continues to follow recent seasonal trends lower, but volumes are often higher than year ago levels. Reported EU-27 milk production numbers for January - August 2011, are 2.4% higher than during the same period a year ago. Feed and energy costs remain high and are factors for dairy farmers, but higher milk prices are a positive influence for milk output growth. Some areas of Ireland are dry and have poor pasture conditions that are causing farmers to feed supplemental rations, yet milk production is above last year at this time. Many other countries are also reporting output at levels above a year ago. Firmer prices are noted for reported dairy products, except lower trends for butter/butteroil. Butter supplies are serving mostly local markets because pricing is too high to be competitive in the world market. Whole milk markets are similarly affected by lighter world interest because of pricing levels. Skim milk powder prices are slightly higher and remain competitive for international interest. Dry whey prices are higher with fair to good demand for available offerings. Current pricing makes offerings into the world market very favorable to buyers. Supplies are lighter seasonally and there is also a pull for whey solids from other whey products. In **New Zealand**, the season continues to be strong with current milk deliveries still running about 4 - 5% above year ago levels. Intakes are steady and are holding around annual peak levels. Current weather conditions are conducive for maintaining near peak levels, at least for the short term. A large natural gas pipeline leak on the North Island on Tuesday forced major gas users such as dairy plants to shut down if they do not have an alternative fuel source. Milk haulers stopped picking up milk from farms as a result and producers were told to dispose of the milk on the farm. The question is how long will plants be shut down by the problem and will this delay some short term deliveries? Truckers had been hard pressed to make timely milk pickups from the farm to the plant prior to the break. Plants were operating at peak levels on preferred manufactured products with some

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CME GROUP CASH TRADING

COMMODITY	MONDAY OCT 24	TUESDAY OCT 25	WEDNESDAY OCT 26	THURSDAY OCT 27	FRIDAY OCT 28	WEEKLY CHANGE*	WEEKLY AVERAGE#
<b>CHEESE</b>							
BARRELS	\$1.7125 (+.0225)	\$1.7100 (-.0025)	\$1.7400 (+.0300)	\$1.7700 (+.0300)	\$1.7675 (-.0025)	++ (+.0775)	++ \$1.7400 (+.0350)
40# BLOCKS	\$1.7325 (+.0125)	\$1.6900 (-.0425)	\$1.7200 (+.0300)	\$1.7200 (N.C.)	\$1.7725 (+.0525)	++ (+.0525)	++ \$1.7270 (+.0085)
<b>NONFAT DRY MILK</b>							
EXTRA GRADE	\$1.5800 (N.C.)	\$1.5800 (N.C.)	\$1.5800 (N.C.)	\$1.5800 (N.C.)	\$1.5800 (N.C.)	++ (N.C.)	++ \$1.5800 (N.C.)
GRADE A	\$1.4900 (N.C.)	\$1.4900 (N.C.)	\$1.4300 (-.0600)	\$1.4300 (N.C.)	\$1.4300 (N.C.)	++ (-.0600)	++ \$1.4540 (-.0360)
<b>BUTTER</b>							
GRADE AA	\$1.8700 (+.0100)	\$1.8700 (N.C.)	\$1.8700 (N.C.)	\$1.8700 (N.C.)	\$1.8800 (+.0100)	++ (+.0200)	++ \$1.8720 (+.0135)

CHEESE: carload = 40,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. \*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week.

Computed by Dairy Market News for informational purposes. This data is available on the Internet at [WWW.AMS.USA.GOV/DAIRYMARKETNEWS](http://WWW.AMS.USA.GOV/DAIRYMARKETNEWS).

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milk used to make products less in demand such as casein. Milk component levels are seasonal. In **Australia**, milk receipts are around peak levels, and if not now, within the next few weeks. The forecast continues for increased milk production for the current season but not nearly as optimistic as New Zealand. Water reservoirs have been rebuilding and producers have a better outlook on feed availability. Milk producers have culled the herd due to the drought in the recent years so rebuilding the herd/increasing milk production will take time. Some think that perhaps buyers are starting to feel prices may start to rebound in the near term. There seems to be some improvement in interest and perhaps a slight rebound in powder prices after the recent g/DT session. The October 18 g/DT session 54 results showed mixed trends with average prices for most contracting periods and products generally weaker, although skim and whole milk powder price averages firmed for the first time in many months.

**SEPTEMBER COLD STORAGE (NASS):** On September 30, 2011, U.S. cold storage holdings of butter totaled 151.1 million pounds, 9% less than a month ago, but 16% more than last year. Natural American cheese holdings total 632.6 million pounds, 2% less than a month ago and 1% less than a year ago. Total cheese stocks were 1.0 billion pounds, 2% less than last month and 2% less than September 2010.

**AUGUST FLUID MILK SALES (AMS AND CDFA):** During August, over 4.5 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.9% higher than August 2010. After adjusting for calendar composition, sales in August 2011 were 1.2% lower than August 2010. Estimated sales of total conventional fluid milk products increased 0.6% from August 2010 and estimated sales of total organic fluid milk products increased 7.5 percent from a year earlier.

**ANNOUNCED NOVEMBER COOPERATIVE CLASS I PRICES (DAIRY PROGRAMS):** For November 2011, the all-city average announced cooperative Class I price was \$23.55, \$2.46 higher than the Federal milk order (FMO) Class I price average for these cities. The November 2011 Cooperative Class I price was \$1.14 lower than the October 2011 price. The November 2011 Federal order Class I price was \$1.11 lower than the October 2011 price. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$.52 in Phoenix, AZ, to \$4.21 in Miami, FL. For November 2010, the all-city average announced cooperative Class I price was \$22.33, \$2.45 higher than the Federal order Class I price average for these cities. Note: For most cities, the Announced Cooperative Class I Price now includes premiums paid for milk produced without rBSt.

**CONSUMER PRICE INDEX (BLS):** The September CPI for all food is 230.6, up 4.7% from September 2010. The dairy products index is 219.4, up 10.2% from a year ago. The following are the September to September changes for selected products: fresh whole milk is +13.0%; cheese, +10.2%; and butter, +9.2%.

**COMMERCIAL DISAPPEARANCE (ERS, AMS):** Commercial disappearance of dairy products during the first eight months of 2011 totals 131.2 billion pounds, 1.2% above the same period in 2010. Comparing disappearance levels with year earlier levels: butter is +10.9 %; American cheese, +0.8%; other cheese, +4.7%; NDM, -3.1% and fluid milk products, -1.5%.

**OVER ORDER CHARGES ON PRODUCER MILK IN FMMOS (DAIRY PROGRAMS):** For August 2011, the all reporting areas combined average over-order charge on producer milk used in Class I was \$2.15, up \$0.02 from the July 2011 average. Ninety percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from \$0.77 in the Pacific Northwest to \$3.10 in Florida. For producer milk used in Class II, the all reporting areas combined average over-order charge was \$1.17, down \$0.05 from the July 2011 average. Seventy-six percent of the producer milk used in Class II carried an over-order charge.

## CME GROUP

## MONDAY, OCTOBER 24, 2011

CHEESE -- SALES: 5 CARS BARRELS: 1 @ \$1.6875, 1 @ \$1.6900, 1 @ \$1.6950, 1 @ \$1.7000, 1 @ \$1.7100; 4 CARS 40# BLOCKS: 1 @ \$1.7200, 2 @ \$1.7300, 1 @ \$1.7325; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.7125; LAST OFFER UNCOVERED: 1 40# BLOCKS @ \$1.7350  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: 4 CARS GRADE AA: 2 @ \$1.8600, 2 @ \$1.8700; LAST BID UNFILLED: 2 CARS GRADE AA @ \$1.8700; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8800

## TUESDAY, OCTOBER 25, 2011

CHEESE -- SALES: 5 CARS BARRELS @ \$1.7000; 2 CARS 40# BLOCKS @ \$1.6900; LAST BID UNFILLED: 2 CARS BARRELS @ \$1.7100; 2 CARS 40# BLOCKS @ \$1.6900; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: NONE  
 BUTTER -- SALES: NONE; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8700; LAST OFFER UNCOVERED: 2 CARS GRADE AA @ \$1.8900

## WEDNESDAY, OCTOBER 26, 2011

CHEESE -- SALES: 1 CAR 40# BLOCKS @ \$1.7200; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.7400; 1 CAR 40# BLOCKS @ \$1.7200; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: NONE; LAST OFFER UNCOVERED: 2 CARS GRADE A @ \$1.4300  
 BUTTER -- SALES: 5 CARS GRADE AA @ \$1.8700; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8700; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8750

## THURSDAY, OCTOBER 27, 2011

CHEESE -- SALES: NONE; LAST BID UNFILLED: 1 CAR BARRELS @ \$1.7700; 1 CAR 40# BLOCKS @ \$1.7200; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE A @ \$1.3800; LAST OFFER UNCOVERED: 2 CARS GRADE A @ \$1.4300  
 BUTTER -- SALES: 1 CAR GRADE AA @ \$1.8700; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8700; LAST OFFER UNCOVERED: NONE

## FRIDAY, OCTOBER 28, 2011

CHEESE -- SALES: 1 CAR BARRELS @ \$1.7675; LAST BID UNFILLED: 1 CAR 40# BLOCKS @ \$1.7725; LAST OFFER UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; LAST BID UNFILLED: 2 CARS GRADE A @ \$1.3700; LAST OFFER UNCOVERED: 2 CARS GRADE A @ \$1.4300  
 BUTTER -- SALES: 2 CARS GRADE AA: 1 @ \$1.8725, 1 @ \$1.8800; LAST BID UNFILLED: 1 CAR GRADE AA @ \$1.8800; LAST OFFER UNCOVERED: 1 CAR GRADE AA @ \$1.8900

## BUTTER MARKETS

## NORTHEAST

The CME Group butter price was unchanged Tuesday and closed at \$1.8700. On October 6, butter prices began to rise from \$1.7575 with almost daily increases until October 18, when it reached \$1.8600 and then held steady for 3 trading sessions, prior to Monday's increase to \$1.8700. Retailers, with only 5 weeks before Thanksgiving, greatly expanded their retail orders for cream based products, which significantly increased cream demand. Butter makers are also seeking additional cream supplies to increase production to fill their yearend orders. Some plants are channeling all of their cream supplies to churns and also reworking butter to fill orders. Butter makers are making a conscious effort to match production with orders, so as to limit inventories when prices are expected to decline, sometime in December. According to the latest NASS Cold Storage report, butter in storage on September 30, totaled 151.1 million pounds, 14.6 million pounds less (-9%) than the prior month stocks, but 21.2 million pounds more (16%) than September 2010 stocks. Bulk butter prices range from 2-4 cents over the market, based on the CME Group with various time frames and averages used.

## CENTRAL

The CME Group cash butter price strengthened slightly during the past week to settle at \$1.8700 at midweek. Churning activity in the Central part of the country is fairly strong, although some butter producers continue to exercise caution with their cream purchases. Cream volumes are generally readily available to butter producers, but are tightening as Class II cream based holiday product production increases. Butter producers and handlers are stating that they now have a fairly good picture of year end needs and are aligning current production schedules with inventoried stock for those needs. Micro-fixing of frozen inventory continues and will continue for the foreseeable future. Butter demand remains active, although orders are tapering back as most holiday and yearend needs are already on the books for shipment over the next 6 - 8 weeks. Some retail feature activity is starting to appear in print ads and is expected to continue into December. Food service orders are steady with restaurants and eating establishments preparing for the upcoming holiday season. Bulk butter prices range from 2 - 4 cents over various pricing bases and averages per pound.

## WEST

Butter trading on the CME Group for Wednesday closed unchanged at \$1.8700. Since October 5th, with the price at \$1.7575, the price of butter at the exchange has increased \$.1125. Trading activity has been moderate to good this week with nine sales reported. Firm butter prices in the West continued this week. Butter manufacturers report good demand as the holiday buying season is upon them and stores are eager to secure ample supplies for retail customers. Butter producers are taking a cautious approach to make enough butter for current sales without building inventories. Stores are beginning to offer specials on butter to increase customer traffic. Seasonal butter features surveyed from store specials have prices ranging from \$1.88-3.99, with most in the area of \$2.50 per pound. Prices for bulk butter range from even to 4 cents under the market, based on the CME with various time frames and averages used. According to the NASS Cold Storage report, stocks of butter as of September 30, 2011, total 151.1 million pounds, +16% or 21.2 million pounds more than September last year. Stocks were 9% lower or 14.6 million pounds less than August 2011.

## U.S. Butter Imports (USDA-FAS)

	2011 Imports (Million Lb.)	% Change From 1 Year Ago	% of Yearly Quota
Sep. Quota Imports	0.45	- 41.3	7.0
Jan. - Sep			
High Tier	.66	+163.0	N.A.
Quota Imports	5.41	+ 11.4	35.2

### NASS DAIRY PRODUCT PRICES

#### U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE 40# BLOCKS	CHEESE BARRELS 38% MOISTURE	NDM	BUTTER	DRY WHEY
October 22	1.7271 10,834,833	1.7417 8,604,488	1.4969 20,467,659	1.8039 3,971,422	0.6208 9,706,046

## CHEESE MARKETS

## NORTHEAST

CME Group cheese prices declined Tuesday with barrels declining \$0.0025 to close at \$1.7100, while blocks declined \$0.0425 and closed at \$1.6900. The October cheese price rollercoaster continues with prices up and down and trading mostly in a price range of \$1.6800 to \$1.7300. Wholesale prices followed the price rollercoaster with mixed weekly average prices as Process 5# sliced cheese declined \$0.0150, while Cheddar 40# blocks and Muenster increased \$0.0150. Cheese production continues to be active as plants are busy preparing for year-end holiday orders. Inventories are steady for cheddar cheese with cheese makers hoping retail promotions will increase sales. Mozzarella and Provolone inventories are tight as orders and sales remain good. Cream cheese manufacturers saw a significant uptick in retail holiday orders. The Kansas City Commodity Office announced last week contract awards for nearly 120 million lbs. of mozzarella cheese for delivery in 2012. The USDA is also offering to purchase 75 million lbs. of natural cheese, ranging from reduced-fat shredded cheddar to 500 lb. barrels. The latest NASS Cold Storage report shows stocks of natural cheese in cold storage as of September 30, 2011 totaled 1.04 billion pounds, 2.0% less than one month ago and 2.0% less than one year ago. A majority of the holdings are in the form of American cheese (60.8%) totaling 632.6 million pounds, 2.0% less than the amount one month ago and 1% less than one year ago. The next highest natural cheese holdings in cold storage are in the form of Other Natural Cheese, (36.2%) totaling 376.1 million pounds, 2% less than one month ago and 5% less from one year ago. Swiss cheese accounts for 3.0% of holdings at 31.3 million pounds, 7% less than one month ago, but 13% more than one year ago.

WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 40# Block	:	2.0350-2.3100
Process 5# Sliced	:	1.8150-2.1250
Muenster	:	2.0550-2.2600
Grade A Swiss Cuts 10 - 14#	:	3.9325-4.2550

## MIDWEST

The cheese market continues to travel higher and lower in a trading range. While some buyers try to "time the market" to get the lowest price, the time left for orders to be processed yet be available for Thanksgiving use is dwindling. Current orders are keeping packaging plants operating with solid schedules but still lack the usual holiday season "urgency". Process interest is steady to slower seasonally. While hard Italian interest has improved, aged cheddar demand is spotty but seems to lag. Mozzarella and provolone interest are good. Interest in fall specialty varieties remains good. Many natural American cheese buyers with committed supply volumes have shifted orders to the stronger moving pepper jack and colby/jack. Some processors and barrel traders may be trying to secure a larger share of their anticipated 2012 needs. Cheese production is seasonally strong and depends on the milk supply. Cheese yields are near annual peak levels. On October 24, the Kansas City Commodity Office announced awards under Solicitation AG-DPRP-S-11-0234-P001, Invitation 20000000565 to purchase up to 119,911,680 pounds of mozzarella for January - December 2012 delivery. The award is about 1 million pounds more than the contracts awarded last September.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	2.0650-2.4800
Brick And/Or Muenster 5#	:	2.2275-2.6000
Cheddar 40# Block	:	2.2275-2.8650
Monterey Jack 10#	:	2.1900-2.8650
Blue 5#	:	2.4825-3.2700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.0625-2.9650
Grade A Swiss Cuts 6 - 9#	:	3.1900-3.3300

## WEST

Barrel and block cheese at the CME Group exchange on Wednesday both closed \$0.0300 higher on bids with few sellers. Barrels are currently above block prices, with barrels at \$1.7400 and blocks at \$1.7200. Sales have been active this week as buyers and sellers were both participants. Barrels have had sales of ten loads, with blocks at seven loads for the week. Western cheese prices are uneven as buyers and sellers attempt to determine the best time to market. The market tone is mostly steady with sales reported good into contract accounts. Demand is good as buyers look to fall holidays to increase retail purchasing. Export demand is moderate to good with some sales being aided by CWT assistance. According to NASS, *Cold Storage* stocks of cheese (total) at the end of September 2011 are 1,040.0 million pounds, down 2% or 20.6 million pounds less than September 2010. American stocks were down 1%, and Other Natural stocks were 5% lower with last year. Swiss stocks at the end of September total 31.3 million pounds, up 13% or 3.6 million pounds more than September 2010.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND  
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.8300-2.0875
Cheddar 40# Block	:	1.8475-2.2000
Cheddar 10# Cuts	:	2.0275-2.2475
Monterey Jack 10#	:	2.0375-2.1975
Grade A Swiss Cuts 6 - 9#	:	3.5100-3.9400

## FOREIGN

The CME Group weekly average price for block cheese increased and advanced domestic wholesale prices by \$0.0150. Prices for Swiss cuts held steady. Swiss cheese orders continue to be good for the yearend holiday season with inventories holding steady to slightly lower. Exporting countries that are designating U.S. importers for 2012 must submit their designations to FAS by October 31, 2011. According to FAS, Imports of high tier and quota Italian-type cheese from January through September this year totaled 19.6 million pounds, down 8.4% for the same period last year. Imports of quota Italian-type cheese January through September totaled 7.9 million pounds, 28.5% below the same period last year and 26.4% of the annual quota. Imports of high tier Italian-type cheese January through September totaled 11.7 million pounds, up 12.9% from the same period in 2009. Quota imports of Swiss/Emmentaler varieties from January through September 2011 totaled 33.1 million pounds, 1.5% more than the same period last year. Norway and Finland, the two top sources, account for 63.6% of Swiss/Emmentaler imports January through September 2011.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK  
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Blue	: 2.6400-5.2200	: 2.1750-3.6625*
Gorgonzola	: 3.6900-6.3900	: 2.6775-2.9375*
Parmesan (Italy)	: -0-	: 3.2975-3.8525*
Provolone (Italy)	: 3.4400-6.3900	: 2.2175-2.3750*
Romano (Cows Milk)	: -0-	: 3.3650-5.5075*
Sardo Romano (Argentina)	: 2.8500-3.9800	: -0-
Reggiano (Argentina)	: 3.2900-4.2400	: -0-
Jarlsberg-(Brand)	: 2.9500-4.9900	: -0-
Swiss Cuts Switzerland	: -0-	: 4.0250-4.3475
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-

\* = Price change.

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## CHEESE MARKETS

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## U.S. Cheese Imports (USDA-FAS)

	2011 Imports (Million Lb.)	% Change From 1 Year Ago	% of Yearly Quota
Sep. Quota Imports	12.8	- 12.7	-
Jan. - Sep.			
High Tier	18.1	+ 4.5	N.A.
Quota Imports	115.1	+ 0.7	38.5

WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	<u>BUTTER</u>	:	<u>CHEESE</u>
		:	
10/24/11	7,008	:	129,396
10/01/11	7,919	:	135,392
CHANGE	-911	:	-5,996
% CHANGE	-12	:	-4

## FLUID MILK AND CREAM

## EAST

## SPOT SHIPMENTS OF GRADE A MILK INTO OR OUT OF FLORIDA &amp; SOUTHEASTERN STATES

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	130	0	120	0	0	0
SOUTHEAST STATES	0	0	0	0	10	0

Milk production continues to be at or near the seasonal low point in the Northeast and Mid-Atlantic regions. Class I pulls remain steady and strong, limiting manufacturing milk supplies with some balancing plants rolling over any excess supplies to assist with next week's contract commitments. Field work activities have progressed well in both regions this past week. Corn silage harvest is near completion, but corn and soybean harvest completion percentages remain 10-30 points behind last year's pace. Florida milk production declined this past week with contacts in the region unable to identify the cause, but they are confident the trend will be reversed. Despite this week's downturn in production, cows are freshening and being added to the herd and weather is near perfect for cow comfort and milk production. Class I demand is strong and steady and prompted 130 spot loads to be imported this week. Milk supplies in the Southeast continue to be in balance with demand. A plant shut down in the Western region has resulted in milk shipments to the Southeast and necessitated the utilization of auxiliary cheese plants. Securing truckers for milk hauls continues to be difficult as more trucks are being employed to haul hay and feed to drought stricken areas and for the produce harvests in the West and Northwest. An uptick in fall holiday orders for cream cheese caused a considerable increase in manufacturing cream demand. Butter makers were also looking for additional loads of cream with Thanksgiving only 5 weeks away. The increase in the butter market has also contributed to the increase in demand as cream users are looking to secure cream, prior to next week's expected higher prices. This week's multiples were in a wide range from 125-143 with the low end accounting for weekend deliveries and the high end supported by bottling manufacturers. Condensed skim milk supplies are barely adequate for contract needs with little remaining for the spot market. Demand for condensed skim remains good as Class II manufacturers have expanded production schedules and as cheese production continues to be active ahead of the yearend holidays. According to NASS, milk production for September 2011 in the 23 reported states totaled 14.8 billion pounds, up 1.9% from September 2010. Milk production increased in 3 of the 5 listed states in the Eastern region and increased production 0.2% over the same month last year at 2,388 million pounds. The 5 states showed the following percentage changes in milk production from September 2010 to September 2011 and total milk production this September: Florida, +11.3%, 158 million pounds; New York, +0.1%, 1,037 million pounds; Pennsylvania, -1.5%, 854 million pounds; Vermont, +0.5%, 203 million pounds; and Virginia, unchanged at 136 million pounds. Milk cow numbers for September 2011 increased in 2 of the 5 listed states of the Eastern region with 3 states declining. The region decreased by 1,000 head or 0.1% lower compared to the same period last year. Individual state cow numbers compared to September 2010 and cows remaining as of this September are: Florida, 6,000 increase, 119,000 remaining; New York, 1,000 decrease, 610,000 remaining; Pennsylvania, 5,000 decrease, 537,000 remaining; Vermont, 2,000 decrease, 134,000 remaining; and Virginia, 1,000 increase, 96,000 remaining. The September NASS milk production and cow numbers for the Northeast region reveal that hurricane Irene and tropical storm Lee had little, if any, effect on milk production and herd size. Northeastern crops along with Vermont roads and bridges suffered the most damage from those events.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

## SPOT PRICES OF CLASS II CREAM, DOLLARS PER LB. BUTTERFAT:

F.O.B. producing plants: Northeast - 2.3231-2.6577  
F.O.B. producing plants: Upper Midwest - 2.2860-2.3789

## PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS,

## F.O.B. PRODUCING PLANTS:

Northeast - Class II - includes monthly formula prices - 1.58 - 1.62  
Northeast - Class III - spot prices - 1.45 - 1.50

## MIDWEST

Class I movement is steady to occasionally improved. A few bottlers have already made a few runs of eggnog for the holiday season. Some milk from an upper tier state continues to move out of the region to supplement local volumes further south. Handlers and plant operators are already developing plans for handling yearend holiday surplus milk volumes. Class II interest was steady to improved for non-ice cream products as some operations increase production in preparation for the upcoming holidays. Cream interest was improved though supplies are available without major difficulty. Cream interest from churns was also improved and multiples moved higher. Ice cream production remains seasonally light. Cheese milk interest is steady with best spot interest from specialty variety makers. On a limited test, spot milk prices are about steady. Most plants are operating on seasonal levels. Milk volumes in the mid to upper states are steady to slightly lower. Milk components are rebounding to near annual peak levels. With profitable prices for those with crops to sell, some producers are looking at retiring the cows. Most soybeans are out of the field and good progress has been made on the corn harvest as well as fall tillage. Temperatures have cooled in northern tier states to highs in the 40's and 50's.

## WEST

CALIFORNIA milk production is mostly steady to slightly higher and at levels above a year ago. There are no weather constraints affecting cows in the state. Processing plants are running on active and planned schedules. Some strategic and routine maintenance is taking place during this time and ahead of future, seasonal gains. September 2011 POOL RECEIPTS of milk in CALIFORNIA total 3.17 billion pounds, 5.2% higher than last year, according to CDFA. The September blend price, at a fat test of 3.63%, is \$18.96, \$1.27 lower than August but \$2.66 more than September 2010. The percentage of receipts used in Class I products is 15.1%. The September quota price is \$19.87 and the over quota price is \$18.17. These prices are \$1.36 lower than August but \$2.62 more than a year ago. ARIZONA milk output is steady to higher. Weather conditions have become very conducive for cow comfort and the milking herds are responding with increased volumes. Higher plant intakes are able to be handled efficiently. Class I demand is flat. Milk production in NEW MEXICO is tending to flatten out at current levels. Plants are running well for the most part with some taking downtime for maintenance. Milk is being shipped out to supplement fluid needs in other regions and to help balance local accounts. The Class I market interest continues mostly steady with recent weeks. The Western CREAM market remains firm with a renewed interest in the utilization from a variety of sources. Butter production is trending higher to meet increased seasonal demand from retailers beginning their pulls for holiday needs. Other cream-based items are being produced for placements over the next two months. At the CME, the Grade AA butter price closed at \$1.8700 on Wednesday, October 26, up 1 cent from a week ago. Western cream multiples are slightly higher at 110-124, and vary based on class usage and basing point. Milk production in the PACIFIC NORTHWEST is following expected levels with milk handlers able to balance supplies with local production facilities. Plants are able to process milk supplies and undergo routine maintenance where needed. Occasional frost has ended the growing season for most crops and dairy farmers are finishing harvest duties. Dairy farm managers are busy assessing feed supplies and calculating costs versus milk price to maximize returns.

CONTINUED ON PAGE 4A

## FLUID MILK AND CREAM

## CONTINUED FROM PAGE 4

UTAH and IDAHO milk supplies are mostly steady and in balance with expected production levels. Available milk supplies are being handled within the region. Crop harvesting is finishing, while dairies needing feed supplies are finding higher prices for hay where it is available. High transportation costs are adding to prices of shipped forage supplies. According to NASS, third quarter milk production for the United States was 48.7 billion pounds, up 1.4% (+.7 billion pounds) from the same quarter in 2010. The U.S. cow herd for the July-September quarter was at 9.2 million head, up 83,000 head from the same period a year ago.

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**NONFAT DRY MILK - CENTRAL AND EAST**

**CENTRAL:** Central nonfat dry milk prices are mixed, with a weaker trend dominating price movement this week. Resellers are adding to the price trend. Their concerns about inventories are sometimes prompting resales below the low end of the range. This is giving more incentive to end users to troll the resale market for buying opportunities to meet near term NDM needs. NDM supplies within the Central region are variable, with some plants having light to short inventories staying out of the spot market. Best estimates on the timing of their return to the spot market are mid to late November. Other plants have moderate inventories on hand and are managing holdings via the spot market because the near term price trend is uncertain. Nonfat dry milk availability based on packaging, 50 lb./25 kg bags and/or totes, is also variable from manufacturer to manufacturer. The overall farm milk supply is well within the handling capacity of the region. Sales of condensed skim are mostly contractual this week. NDM production is somewhat limited by milk availability as well as the contractual condensed skim sales. Requests are reportedly circulating for 2012 supplies of condensed skim for use within the Western region. High heat nonfat dry milk sales are increasing seasonally. Some resellers indicate their contract loads from some organizations are delayed, with future delivery dates unknown at this time.

**EAST:** Nonfat dry milk prices continued to work lower for both low and high heat varieties this week. This is the sixth consecutive week that the low heat mostly price range has declined, while high heat has declined the past two weeks. Eastern nonfat dry milk production remains at low levels; because of seasonally low milk production combined with strong Class I demand. Eastern supplies are moving primarily through contracts. NDM buyers are having success securing loads from the Central region below Eastern contract prices. NDM demand remains weak for low heat, but has improved for high heat as baking interests have expanded production ahead of the holiday season. High heat NDM inventories, in some cases, are being worked lower. Some low heat NDM loads are being offered at discounts as various brokers attempt to reposition themselves in the market.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.4100 - 1.5900 MOSTLY: 1.4200 - 1.5300  
 HIGH HEAT: 1.4500 - 1.6400

**NONFAT DRY MILK - WEST**

Pricing levels for Western low/medium heat nonfat dry milk continue the general trend lower. The market tone remains weak. Buyer interest is slow to fair for direct offerings. Prices for resale loads continue to trade below contracted prices based off state or national indices. First buyers continue to lose subsequent contracted and expected sales because of lower priced offerings in the resale market. Production is still active with moderate to heavy volumes of milk moving towards butter/powder production. Sales of skim milk powder remain fair to good and are helping producers clear holdings of overall powder stocks. NDM inventory positions are varied; some producers are in decent shape whereas others have higher volumes of holdings than desired. Western high heat prices are also trending lower. The market tone is steady to weaker. The tone is being buoyed somewhat by increased seasonal interest, while being chopped away by low heat price weakness. Production levels are steady to higher to meet current and projected orders. High heat stocks are generally light. Supplies are often tight and being made to order.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUM HEAT: 1.3400 - 1.5400 MOSTLY: 1.3700 - 1.4900  
 HIGH HEAT: 1.4600 - 1.6300

**DRY BUTTERMILK - CENTRAL AND EAST**

**CENTRAL:** Dry buttermilk prices, Central, are unchanged on the bottom, and 1 cent lower on the top of the range. Sellers are clearing loads steadily through contract agreements. Several plant operators indicate butter production is increasing from week to week to meet holiday contract needs. This churning activity is driving condensed and dry buttermilk production on a weekly basis. Central F.O.B. inventories are steady to building. A few brokers indicate their buttermilk contract loads are delayed from some selling organizations.

**EAST:** Dry buttermilk prices declined marginally on the upper end of the range this week. Increases in butter production have prompted like increases in dry buttermilk production. Demand increases have been noted, but not enough to influence prices, as baking product manufacturers have increased their orders for dry buttermilk. Inventories, in some cases, are being worked lower. Product is primarily moving through contracts at increased levels with the occasional LTL or spot load transaction.

F.O.B. CENTRAL/EAST: 1.3000 - 1.4700

**DRY BUTTERMILK - WEST**

Western dry buttermilk prices are trending higher as the market undertone continues to firm. Current interest is light to fair, and matched with limited producer offerings. This is following the recent period of demand influenced by lower prices and multi loads offerings. Resale offerings and demand are light. Drying schedules are active and remain good because of the steady to higher production runs at butter plants. Dry buttermilk stocks are tending to be light to moderate.

F.O.B. WEST: 1.2800 - 1.3300 MOSTLY: 1.2900 - 1.3150

**DRY WHOLE MILK - NATIONAL**

Dry whole milk prices are unchanged on the top of the range and one cent higher on the bottom of the range. A few producers indicate some customers are requesting larger contract volumes for 2012. Dry whole milk manufacturers speculate the higher contract levels may represent end users replacing a portion of imported whole milk powder with domestic whole milk powder for the upcoming production season. Contracting for 2012 is ongoing for some manufacturers while other manufacturers have met their contract volume limits. Dry whole milk production is reported as occurring at regular intervals in several plants.

F.O.B. PRODUCING PLANT: 1.8500 - 2.0400

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
October 21	\$1.4771	14,652,580	0
October 14	\$1.5102	10,994,494	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.



**WHEY, WPC 34%, LACTOSE & CASEIN**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**DRY WHEY - CENTRAL**

Central edible dry whey prices are steady for the week. Buyers, though, indicate they are bracing for increasing premiums in November. Buyer sentiment is generally at a low ebb as discussions for 2012 contracting begin. Chances of getting on a manufacturer's buyer list as a new customer are slim. Some buyers have been informed by their suppliers that contract loads for 2012 are being decreased, or buyers are being dropped entirely by their regular dry whey suppliers. Other buyers report frustration with being "claimed" by resellers as a client, which sometimes prompts manufacturers to decline to sell direct. This may put buyers at a disadvantage price-wise compared to competitors able to buy inputs F.O.B. direct. Due to the current firm price trend for dry whey, some resellers who serve the export markets decided to limit contract buying and selling, and instead, expect to participate actively in the spot market on both sides of sales. Central dry whey manufacturing is mostly steady. Farm milk intakes are showing incremental increases, prompting a few cheese plants to vary the number of cheese vats completed each day. The ANIMAL FEED DRY WHEY price series narrowed. Recent increases on the edible dry whey market, the foundation of some animal feed dry whey price formulas, caused the bottom of the Animal Feed Milk Replacer range to increase. A few spot market sales took place below the top of last week's price range, thus decreasing the top by 2 cents. Western feed whey reported traded within last week's range, clearing to the Central region. Dry whey interest is steady from animal feed operations, especially because of the recent availability and spot load acquisitions of slightly off specification WPC 34%. The WPC 34% requires blending with products at a lower protein content to be useable in animal feed.

F.O.B. CENTRAL: .5850 - .6400 MOSTLY: .5900 - .6250  
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .4550 - .5900

**DRY WHEY - NORTHEAST**

Prices for dry whey moved significantly higher this week as spot market activity increased the upper end of the price range, while contract formulations increased the low end of the range. Dry whey production remains steady with most manufacturers struggling to keep current with their contract commitments. Nearly all available supplies are moving through contracts with only the occasional spot load becoming available. Product availability continues to be primarily through re-sales with prices above the market range. End users are considering possible reformulation, where possible, and using alternative, lower priced, protein products.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .6225 - .6650

**DRY WHEY - WEST**

Western dry whey prices are uneven with a two tiered market developing for domestic versus export markets. Domestic supplies remain tight with the bulk of production geared to contract fulfillment. Excess supplies when available are often going to satisfy export customer demand. International prices are mostly lower than current U.S. prices, yet manufacturers are hoping to maintain market share. Domestically, spot loads of whey are difficult to source. Reports of delayed delivery for contract loads are not unusual.

NONHYGROSCOPIC: .5100 - .6550 MOSTLY: .6175 - .6500

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices on the whey protein concentrate 34% market are mixed. Premiums to the market were noted on several spot sales this week, supporting the mostly price series. Conversely, other spot sale activity drove the bottom of the range lower by 2.5 cents and failed to capture sufficient premiums to maintain the top of the range price series. Sales of condensed whey protein concentrate are steady into facilities able to process the concentrate into end products with higher protein contents, as well as into the snack food industry. This is limiting production of WPC 34% for some manufacturers.

F.O.B. EXTRA GRADE 34% PROTEIN: 1.3750 - 1.5200 MOSTLY: 1.4200 - 1.4500

**LACTOSE - CENTRAL AND WEST**

Lactose prices on the mostly series are steady. Interest remains strong for the fourth quarter. Lactose production is trending higher as various plants report higher farm milk intake volumes coupled with stronger cheese sales. Lactose sales activity is heavily weighted toward contract-based transactions. Spot sales are intermittent from manufacturer to manufacturer. Delays in contract shipping are occurring from time to time, with a few manufacturers now finishing up third quarter obligations. A few manufacturers are forewarning buyers that lactose supplies in 2012 are expected to be lower and prices firm, due to new customers entering attractive bids for lactose.

Including spot sales and up to 3 month contracts.

F.O.B. EDIBLE, NON PHARMACEUTICAL .5600 - .8000 MOSTLY: .7200 - .7900

**CASEIN - NATIONAL**

Casein markets and prices are generally holding steady, although a weak undertone prevails. A natural gas line breach in New Zealand has severely disrupted processing at many milk facilities on the north island this week. Some milk processing facilities have been able to maintain production schedules, or at least at reduced levels, due to alternative energy sources and are keeping operations functional while absorbing as much milk volume as they can handle to reduce milk dumping. This situation is occurring at the peak milk production period of the region, thus casein operations are also typically in full swing. The energy impact on the casein industry is still unknown, but is anticipated that it will negatively impact overall casein volumes and availability. Oceania casein production occurs on both sides of peak milk production and was experiencing good output trends prior to the disruption. The European casein production season has ceased and, for the most part, stocks are reported to be sufficient for contracted needs. Most casein traders and handlers were projecting that prices will ease during Q1 and Q2 2012, but now are questioning Oceania supply availability and what impact this may have on price trends.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 4.6000 - 5.0500  
ACID: 4.9500 - 5.2000

**CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)**

	FOR THE WEEK OF OCTOBER 24 - 28, 2011			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/11	SAME PERIOD LAST YEAR	WEEK ENDING 10/21/11	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfat	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-

**SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS EFFECTIVE NOVEMBER 1, 2009**

BUTTER Bulk \$1.05 per pound

CHEESE 40# Blocks \$1.13 per pound; 500# Barrels \$1.10

NONFAT DRY MILK \$.80 per pound

**U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 10/08/11 & Comparable Week 2010**

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL		% DAIRY OF ALL	
											WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2011-Dairy	N.A.	0.7	9.9	3.2	18.3	3.7	N.A.	N.A.	15.8	3.0	56.8	2,270.1	40.3	44.2
2010-Dairy	N.A.	0.6	8.6	3.3	19.3	4.0	0.2	N.A.	14.5	2.8	54.9	2,178.3	43.2	44.0
2011-All cows	0.1	0.8	12.4	15.3	36.8	27.7	N.A.	N.A.	22.0	4.2	141.0	5,141.6		
2010-All cows	N.A.	0.7	10.8	14.3	33.6	24.2	13.8	N.A.	19.3	6.4	127.0	4,950.0		

**SOURCE:** The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

**CLASS III MILK PRICES, (3.5% BF)**

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2007	13.56	14.18	15.09	16.09	17.60	20.17	21.38	19.83	20.07	18.70	19.22	20.60
2008	19.32	17.03	18.00	16.76	18.18	20.25	18.24	17.32	16.28	17.06	15.51	15.28
2009	10.78	9.31	10.44	10.78	9.84	9.97	9.97	11.20	12.11	12.82	14.08	14.98
2010	14.50	14.28	12.78	12.92	13.38	13.62	13.74	15.18	16.26	16.94	15.44	13.83

**CLASS IV MILK PRICES, (3.5% BF)**

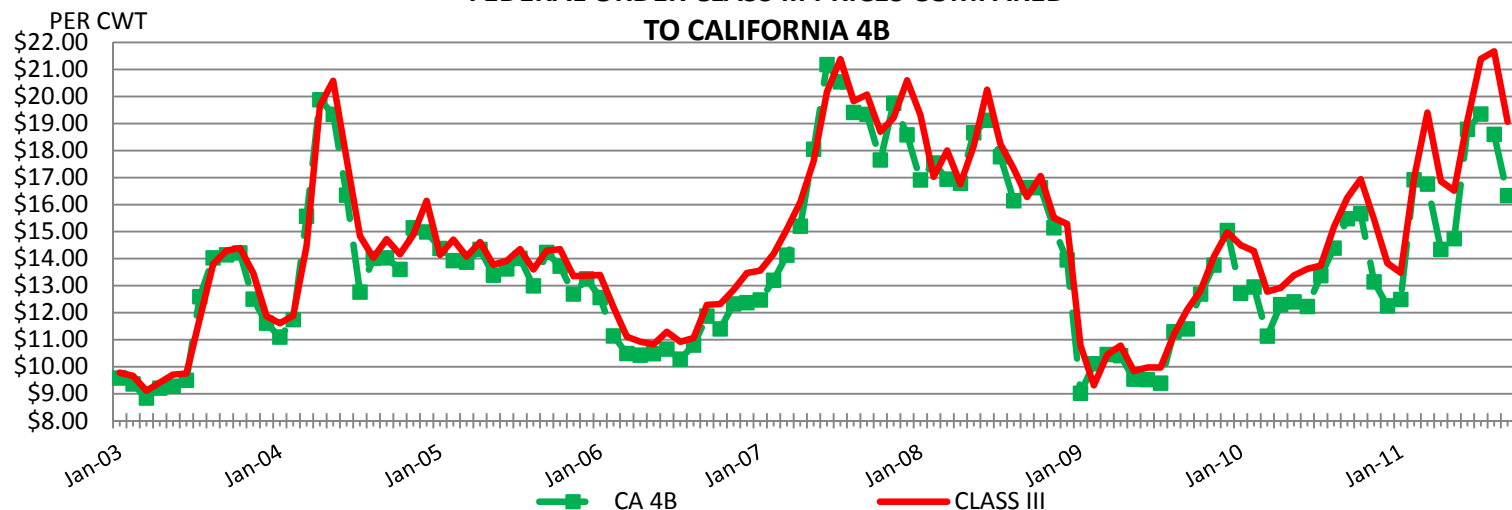
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2007	12.53	12.71	13.71	16.12	18.48	20.76	21.64	21.87	21.61	21.31	20.40	19.18
2008	16.29	14.67	14.17	14.56	15.26	15.92	16.60	16.64	15.45	13.62	12.25	10.35
2009	9.59	9.45	9.64	9.82	10.14	10.22	10.15	10.38	11.15	11.86	13.25	15.01
2010	13.85	12.90	12.92	13.73	15.29	15.45	15.75	15.61	16.76	17.15	16.68	15.03

**FEDERAL MILK ORDER CLASS PRICES FOR 2011 (3.5% BF)**

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	15.20	15.89	18.23	19.43	19.75	20.32	21.03	21.43	21.78	19.56	18.45	
II	16.79	17.97	18.83	19.66	20.63	21.37	21.29	21.55	20.55			
III	13.48	17.00	19.40	16.87	16.52	19.11	21.39	21.67	19.07			
IV	16.42	18.40	19.41	19.78	20.29	21.05	20.33	20.14	19.53			

1/ Specific order differentials to be added to this base price can be found by going to:

www.ams.usda.gov/DairyMarketingStatistics; then select "Prices"; and then select "Principal Pricing Points." \$ Revised

**FEDERAL ORDER CLASS III PRICES COMPARED TO CALIFORNIA 4B**

## INTERNATIONAL DAIRY MARKET NEWS - EUROPE

Information gathered October 17 -28 , 2011

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

## WESTERN AND EASTERN EUROPE

**WESTERN OVERVIEW:** Western European milk production continues to follow recent seasonal trends lower, but volumes are often higher than year ago levels. Reported EU-27 milk production numbers for January - August 2011, are 2.4% higher than during the same period a year ago. Feed and energy costs remain high and are factors for dairy farmers, but higher milk prices are a positive influence for milk output growth. Some areas of Ireland are dry and have poor pasture conditions that are causing farmers to feed supplemental rations, yet milk production is above last year at this time. Many other countries are also reporting output at levels above a year ago. Firmer prices are noted for reported dairy products, except lower trends for butter/butteroil. Butter prices are lower with supplies serving mostly local markets because pricing is too high to be competitive in the world market. Whole milk markets are similarly affected by lighter world interest because of pricing levels. Skim milk powder prices are slightly higher and remain competitive for international interest. Dry whey prices are higher with fair to good demand for available offerings. Current pricing makes offerings into the world market very favorable to buyers. Supplies are lighter seasonally and there is also a pull for whey solids from other whey products.

**BUTTER/BUTTEROIL:** Pricing levels for European butter prices are lower and the market tone is weaker. At current price ranges, export volumes are typically limited to contracted volumes. Other world prices are less expensive and garner the bulk of world spot and short term contract interest. Butter churning is moderate to active for internal needs, limited for packaging for exports. Cream is available for non-butter needs. The butteroil price range is lower. The butteroil export market is described as academic, because at these pricing levels, movement into world markets is very light. Production is limited and holdings are minimal.

82% BUTTERFAT:	5,150 - 5,600
99% BUTTERFAT:	5,900 - 6,200

**SKIM MILK POWDER (SMP):** Skim milk powder pricing levels are steady to slightly higher. Export demand remains fair and trading volumes range from light to slightly more active. Some traders expect export interest/shipments to increase in the new calendar year. Current prices remain competitive with other world producers. Production levels are tighter with milk production in many countries at or near seasonal low levels.

1.25% BUTTERFAT:	3,200 - 3,400
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**WHOLE MILK POWDER (WMP):** European whole milk powder markets remain unsettled. Prices are slightly higher this trading period, attributed to slight gains due to currency values. At current levels, traders and handlers are finding it hard to export WMP into world markets and be competitive with Oceania pricing. Production trends are at seasonal levels and occasionally lower where the product mix favors other products because of both price and demand.

26% BUTTERFAT:	3,900 - 4,250
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**SWEET WHEY POWDER:** European whey prices have changed direction over the past reporting period to trend higher. Demand is being driven by a good internal demand and an increasing export interest. European prices are moving upwards and towards U.S. pricing levels. Whey production has been steady to lower, reflecting cheese output and the variable usage of whey solids in other products. Whey stocks are moderate and able to fill current needs.

NONHYGROSCOPIC:	1,225 - 1,400
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**EASTERN OVERVIEW:** Milk output in Eastern Europe is steady to trending slightly lower towards what is expected to be the seasonal low point for the production year. Milk deliveries in Poland, Hungary, and the Baltic States are at levels above a year ago. Conditions have been favorable and allowing for normal milk trends. Processing plants are working well and making projected product supplies.

Exchange rates for selected foreign currencies: October 24, 2011

.9962 Canadian Dollar	.0201 Indian Rupee
.2360 Argentina Peso	.8073 New Zealand Dollar
.0748 Mexican Peso	1.0474 Australian Dollar
.3195 Polish Zloty	.0131 Japanese Yen
	1.3929 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0748)  
= 13.3690 Mexican Pesos.

Source: "Wall Street Journal"

Information gathered October 17 - 28, 2011

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

## OCEANIA

**OVERVIEW:** In New Zealand, the season continues to be strong with current milk deliveries still running about 4 - 5% above year ago levels. Intakes are steady and are holding around annual peak levels. Current weather conditions are conducive for maintaining near peak levels, at least for the short term. A large natural gas pipeline leak on the North Island on Tuesday forced major gas users such as dairy plants to shut down if they do not have an alternative fuel source. Milk haulers stopped picking up milk from farms as a result and producers were told to dispose of the milk on the farm. The question is how long will plants be shut down by the problem and will this delay some short term deliveries? Truckers had been hard pressed to make timely milk pickups from the farm to the plant prior to the break. Plants were operating at peak levels on preferred manufactured products with some milk used to make products less in demand such as casein. Milk component levels are seasonal. In Australia, milk receipts are around peak levels, and if not now, within the next few weeks. The forecast continues for increased milk production for the current season but not nearly as optimistic as New Zealand. Water reservoirs have been rebuilding and producers have a better outlook on feed availability. Milk producers have culled the herd due to the drought in the recent years so rebuilding the herd/increasing milk production will take time. Some think that perhaps buyers are starting to feel prices may start to rebound in the near term. There seems to be some improvement in interest and, perhaps a slight rebound, in powder prices after the recent g/DT session last week. The October 18 g/DT session 54 results showed mixed trends with average prices for most contracting periods and products generally weaker, although skim and whole milk powder price averages firmed for the first time in many months. During this auction, Contract #1 (November) had activity only in U.S. produced skim milk powder which averaged \$3,041, -0.4% from the previous contract. Contract #2 (December) prices and changes from the previous session being: anhydrous milk fat, \$3,623/MT, -1.4%; buttermilk powder, \$2,970, -0.5%; skim milk powder, \$3,259, +2.8%; whole milk powder, \$3,473, +6.1%; milk protein concentrate \$6,510/MT -4.5%; rennet casein \$6,931/MT -13.7%; and cheddar \$3,512/MT, -8.5%.

**BUTTER:** Butter prices are lower than two weeks ago on the high end, but higher on the low end as the price range narrowed. The AMF prices in the last g/DT session, on an equivalent butter basis, are below the current price range. At least one trader speculated that butterfat prices will likely rebound if more buyers return to the market. Churning is seasonally active though most interest continues to center on whole milk production. The current problem for manufacturers is how long will plants be shut down by the natural gas pipeline leak on the North Island of New Zealand and how will it delay manufactured product deliveries in the short term? For g/DT event 54, specific AMF contract averages and their percentage change from the previous event are: Contract #2 (December) \$3,623, -1.4%; Contract #3 (January - March) \$3,618, -2.1%; and Contract #4 (April - June) \$4,540, +1.1%. The all contract average was \$3645, -1.7%.

**SKIM MILK POWDER (SMP):** The skim milk market tightened with the low end of the range higher. Drying is active as manufacturers trying to make and ship new early season deliveries while starting to build inventory for later season shipment. Interest seems to have improved for some sellers after the recent g/DT session. The major natural gas pipeline leak in New Zealand has forced many dairy plants on the North Island to shut down or operate on reduced schedules, impacting current product availability. For g/DT event 54, specific contract skim milk averages and their percentage change from the previous event are: Contract #1 (November) \$3,041, -0.4%; Contract #2 (December) \$3,259, +2.8%; Contract #3 (January - March) \$3,359, +4.3%; and Contract #4 (April - June) \$3,442, +0.6%. The all contract average was \$3292, +3.0%.

1.25% BUTTERFAT:

3,200 - 3,500

**WHOLE MILK POWDER (WMP):** The whole milk market is steady to firmer. Interest is improving and prices increased on the most recent g/DT session. Production is seasonally active as manufacturers work to fill early season orders while building some inventory for later season shipment. Current powder production is being impacted by the natural gas pipeline leak on the North Island of New Zealand. Plants without an alternative fuel supply may be closed for days or be forced to operate on reduced schedules. For g/DT event 54, specific contract averages and their percentage change from the previous event are: Contract #2 (December) \$3,473, +6.1%; Contract #3 (January - March) \$3,516, +6.7%; and Contract #4 (April - June) \$3,604, +0.8%. The all contract average was \$3503, +5.7%.

26% BUTTERFAT:

3,400 - 3,600

**CHEDDAR CHEESE:** The cheddar market is weaker on the low end, reflecting the recent declines in the g/DT session. Prices on the high end are just slightly lower than the last report. Manufacturers are making early season cheddar for shipment. Cheese production has been seasonally active to handle the heavy seasonal volume of milk available. The effect on cheese production caused by the major gas pipeline leak is unknown and depends on the time needed to resume service. Manufacturing plants with alternative fuel sources are not affected, though other plants are reportedly operating on reduced schedules. This may impact cheese shipments in the near term. At the October 18 g/DT trading event, specific contract averages and their percentage change from the previous event are: Contract #2 (December) \$3,512, -8.5%; Contract #3 (January - March) \$3,484, -8.3%; Contract #4 (April - June) no information available. The 2 contract average was \$3,497, -8.4%.

39% MAXIMUM MOISTURE:

3,400 - 4,500

## INTERNATIONAL DAIRY MARKET NEWS - OCEANIA

Information gathered October 17 - 28, 2011

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

OCTOBER 18, 2011 Global/Dairy Trading (g/DT) event 54 recap US \$ per metric ton										
Average prices and Changes in price Indices from Previous event	Contract #1 November 2011		Contract #2 December 2011		Contract #3 January - March 2012		Contract #4 April - June 2012		All Contracts	
Anhydrous Milk Fat	N.A.	N.A.	\$3,623	-1.4%	\$3,618	-2.1%	\$4,540	+1.1%	\$3,645	-1.7%
Buttermilk Powder	N.A.	N.A.	\$2,970	-0.5%	\$3,155	-5.4%	N.A.	N.A.	\$3,019	-1.9%
Skim Milk Powder	\$3,041	-0.4%	\$3,259	+2.8	\$3,359	+4.3%	\$3,442	+0.6%	\$3,292	+3.0%
Whole Milk Powder	N.A.	N.A.	\$3,473	+6.1%	\$3,516	+6.7%	\$3,604	+0.8%	\$3,503	+5.7%
Milk Protein Concentrate	N.A.	N.A.	\$6,510	-4.5%	\$6,060	-8.3%	N.A.	N.A.	\$6,295	-6.4%
Rennet Casein	N.A.	N.A.	\$6,931	-13.7%	\$7,142	-14.4%	N.A.	N.A.	\$7,040	-14.0%
Cheddar	N.A.	N.A.	\$3,512	-8.5%	\$3,484	-8.3%	N.A.	N.A.	\$3,497	-8.4%

## CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	10/13	10/14	10/17	10/18	10/19	10/20	10/21	10/24	10/25	10/26
<b>CME - CLASS III MILK FUTURES</b> (Pit-Traded)										
OCT 11	17.94 (5163) 0	17.92 (5201) 2	17.90 (5183) 0	17.92 (5182) 0	17.92 (5171) 0	17.93 (5235) 0	18.00 (5189) 0	18.00 (5181) 0	18.00 (5177) 0	18.00 (5167) 0
NOV 11	17.38 (5252) 0	17.02 (5247) 0	17.48 (5261) 0	17.65 (5245) 0	17.36 (5332) 0	17.42 (5386) 0	17.65 (5376) 0	17.87 (5424) 0	17.60 (5372) 0	17.88 (5315) 0
DEC 11	16.84 (4693) 6	16.75 (4701) 3	17.03 (4696) 3	17.23 (4620) 0	16.80 (4660) 0	16.67 (4774) 7	16.93 (4761) 0	17.25 (4799) 0	17.08 (4852) 2	17.23 (4913) 0
JAN 12	16.46 (2270) 0	16.40 (2278) 0	16.53 (2311) 1	16.61 (2335) 0	16.46 (2353) 13	16.40 (2372) 0	16.52 (2384) 0	16.66 (2415) 23	16.59 (2466) 0	16.60 (2518) 1
FEB 12	16.31 (2003) 0	16.22 (2009) 0	16.30 (2025) 0	16.30 (2070) 0	16.15 (2107) 13	16.02 (2127) 0	16.18 (2138) 0	16.26 (2165) 23	16.19 (2195) 0	16.23 (2229) 2
MAR 12	16.23 (1824) 2	16.22 (1827) 0	16.25 (1830) 0	16.22 (1820) 0	16.12 (1856) 13	16.06 (1885) 2	16.21 (1912) 0	16.23 (1927) 23	16.28 (1957) 0	16.30 (2001) 1
APR 12	16.30 (1447) 2	16.29 (1453) 0	16.20 (1461) 0	16.15 (1416) 0	16.10 (1433) 0	16.03 (1441) 2	16.15 (1449) 0	16.16 (1453) 0	16.25 (1478) 0	16.28 (1515) 1
MAY 12	16.23 (1393) 2	16.18 (1399) 0	16.14 (1405) 0	16.13 (1408) 0	16.10 (1414) 0	16.06 (1423) 2	16.12 (1431) 0	16.09 (1430) 0	16.17 (1460) 0	16.24 (1489) 1
JUN 12	16.49 (1394) 2	16.43 (1401) 0	16.42 (1409) 0	16.36 (1402) 0	16.25 (1427) 0	16.22 (1435) 2	16.27 (1444) 0	16.27 (1445) 0	16.28 (1471) 0	16.29 (1479) 1
JUL 12	16.80 (977) 0	16.74 (990) 0	16.71 (994) 0	16.69 (1007) 0	16.54 (1008) 0	16.50 (997) 2	16.57 (1001) 0	16.57 (1004) 0	16.63 (1020) 0	16.68 (1032) 0
<b>CME - CLASS IV MILK FUTURES</b> (Pit-Traded)										
OCT 11	18.25 (610) 0	18.25 (610) 0	18.35 (610) 0	18.35 (610) 0	18.35 (610) 0	18.35 (610) 0	18.35 (610) 0	18.35 (610) 0	18.35 (610) 0	18.35 (610) 0
NOV 11	18.01 (496) 0	18.04 (498) 0	18.20 (500) 0	18.20 (500) 0	18.20 (500) 0	18.20 (500) 0	18.20 (500) 0	18.20 (500) 0	18.20 (500) 0	18.20 (496) 0
DEC 11	17.41 (377) 0	17.41 (380) 0	17.41 (380) 0	17.40 (380) 0	17.40 (380) 0	17.40 (380) 0	17.39 (380) 0	17.39 (380) 0	17.38 (388) 0	17.38 (388) 0
<b>CME - CASH SETTLED BUTTER FUTURES</b> (Electronic-Traded)										
OCT 11	177.25 (786) 0	177.25 (786) 0	177.30 (786) 0	177.75 (786) 0	178.00 (786) 0	178.00 (786) 0	178.00 (786) 0	178.00 (786) 0	178.00 (786) 0	178.00 (786) 0
NOV 11	183.00 (863) 19	183.00 (865) 6	184.98 (868) 14	185.00 (868) 9	185.00 (867) 15	183.00 (867) 0	183.00 (867) 0	183.50 (867) 0	184.00 (873) 9	182.00 (875) 4
DEC 11	173.00 (633) 0	173.00 (636) 11	175.00 (643) 11	175.00 (656) 26	175.00 (666) 10	175.00 (666) 0	175.00 (666) 0	175.00 (666) 0	174.48 (666) 0	173.00 (677) 12
<b>CME - NONFAT DRY MILK FUTURES</b> (Pit-Traded)										
OCT 11	148.00 (329) 0	149.00 (329) 0	149.00 (329) 0	149.00 (329) 0	149.00 (325) 0	149.00 (325) 0	151.50 (325) 0	151.50 (325) 0	151.50 (325) 0	151.50 (325) 0
NOV 11	144.00 (219) 0	145.00 (222) 0	146.00 (231) 0	146.00 (232) 0	146.00 (234) 0	146.00 (234) 0	148.00 (234) 0	148.00 (234) 0	148.00 (234) 0	148.00 (234) 0
DEC 11	138.75 (266) 0	138.75 (266) 0	139.88 (266) 0	139.88 (266) 0	140.00 (276) 0	140.00 (276) 0	140.00 (276) 0	140.00 (276) 0	141.00 (276) 0	140.00 (277) 0
<b>CME - WHEY</b> (Electronic-Traded)										
OCT 11	61.00 (328) 0	61.00 (328) 0	61.00 (328) 0	61.03 (327) 3	61.05 (326) 4	61.05 (326) 0	61.50 (326) 1	61.50 (323) 3	61.50 (323) 0	61.50 (321) 2
NOV 11	61.95 (415) 23	61.00 (416) 5	61.00 (416) 0	61.25 (416) 2	61.25 (415) 1	61.00 (415) 0	61.25 (416) 12	61.25 (416) 0	61.23 (412) 5	61.50 (409) 9
DEC 11	57.75 (443) 17	58.00 (447) 4	58.00 (449) 6	59.00 (448) 11	59.00 (448) 1	58.00 (449) 16	59.50 (450) 10	59.50 (445) 7	59.50 (446) 9	60.00 (440) 15
<b>CME - CHEESE CSC</b> (Electronic-Traded)										
OCT 11	1.74 (547) 0	1.74 (547) 0	1.74 (547) 0	1.74 (547) 4	1.74 (547) 0	1.74 (547) 0	1.74 (543) 0	1.74 (543) 1	1.74 (543) 0	1.72 (543) 0
NOV 11	1.68 (959) 0	1.64 (974) 15	1.69 (974) 1	1.70 (974) 0	1.69 (974) 0	1.68 (975) 4	1.71 (975) 0	1.73 (975) 3	1.71 (973) 8	1.73 (967) 6
DEC 11	1.64 (1143) 61	1.64 (1144) 1	1.66 (1142) 3	1.67 (1139) 3	1.65 (1144) 7	1.62 (1140) 5	1.65 (1141) 4	1.68 (1142) 9	1.67 (1157) 15	1.67 (1157) 0
JAN 12	1.64 (517) 10	1.64 (519) 4	1.64 (520) 5	1.64 (521) 3	1.64 (562) 36	1.63 (574) 12	1.64 (579) 5	1.65 (588) 11	1.64 (588) 0	1.63 (598) 7
FEB 12	1.65 (411) 0	1.64 (410) 5	1.65 (410) 2	1.64 (453) 52	1.63 (497) 52	1.63 (497) 3	1.63 (503) 8	1.63 (510) 18	1.63 (510) 0	1.60 (522) 13
MAR 12	1.66 (376) 1	1.65 (376) 0	1.66 (378) 2	1.66 (395) 25	1.64 (456) 56	1.64 (476) 20	1.64 (498) 32	1.65 (510) 21	1.64 (531) 22	1.64 (538) 3

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-278-4142.

## MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

## U.S. HOLDINGS OF DAIRY PRODUCTS

COMMODITY	AUG 31, 2009	AUG 31, 2010	REVISED AUG 31, 2011	SEPT 30, 2009	SEPT 30, 2010	SEPT 30, 2011
Butter	259,578	155,253	165,698	227,924	129,956	151,106
Cheese, Natural American	598,710	633,573	642,884	596,191	636,946	632,638
Cheese, Swiss	23,414	28,379	33,577	23,110	27,668	31,266
Cheese, Other Natural	375,496	397,005	384,495	364,640	395,982	376,118
Total Cheese	997,620	1,058,957	1,060,956	983,941	1,060,596	1,040,022

## U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS

Butter	#	#	#	#	#	#
Natural American Cheese	#	#	#	#	#	#

#Beginning with the February 22, 2008, Cold Storage release, NASS discontinued published estimates for government owned butter and cheese due to data quality.

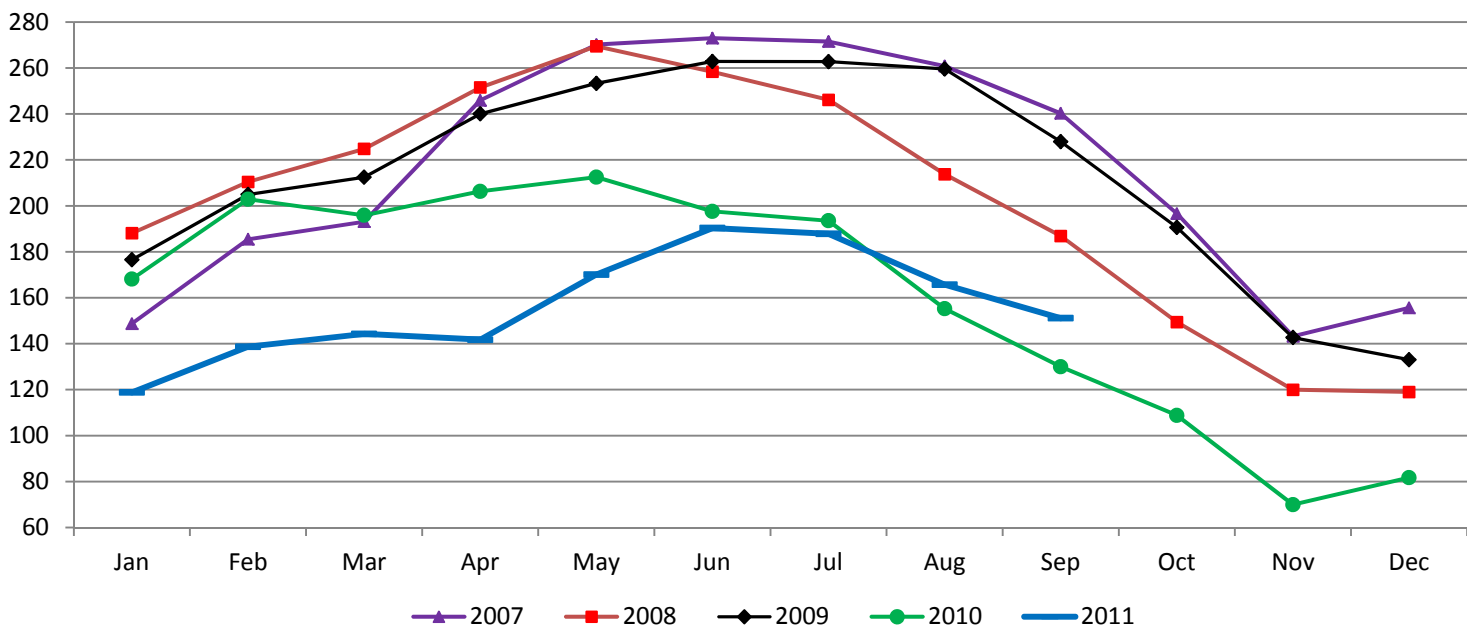
## SEPTEMBER STORAGE HOLDINGS BY REGION

REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
New England	38,774	38,822	40,642	---	---	---	519	507	1,043
Middle Atlantic	43,161	49,666	51,914	---	---	---	21,237	21,639	23,002
East North Central	257,663	271,371	260,246	---	---	---	236,497	271,489	265,882
West North Central	90,346	95,155	108,623	---	---	---	69,234	64,338	47,587
South Atlantic	8,751	3,981	93	---	---	---	59	6,341	5,994
East South Central	1,978	3,390	1,454	---	---	---	2,782	119	257
West South Central	2,977	1,893	3,405	---	---	---	1,721	1,220	1,266
Mountain	52,892	65,833	62,281	---	---	---	6,065	8,982	6,174
Pacific	99,649	106,835	103,980	---	---	---	26,526	21,347	24,913
TOTAL	596,191	636,946	632,638	227,924	129,956	151,106	364,640	395,982	376,118

\*Regional breakdowns are not reported to avoid possible disclosure of individual operations.

Million Pounds

## BUTTER COLD STORAGE HOLDINGS



## COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2010 TO DATE

Month	Butter		Natural American Cheese		Nonfat Dry Milk					
	Commercial		Commercial		Total <u>1/</u>		Commercial		Government	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	Million Pounds		Million Pounds		Million Pounds					
January	119	168	638	588	98	274	98	140	0	134
February	139	203	620	599	124	201	100	154	0	47
March	144	196	611	602	124	176	124	150	0	26
April	142	206	621	610	150	153	150	145	0	8
May	170	212	622	615	166	155	166	149	0	6
June	190	198	618	627	190	179	190	177	0	2
July	188	194	647	640	193	201	193	197	0	4
August	166	155	643	634	172	166	172	164	0	2
September	151	130	633	637		141		139		2
October		109		639		123		123		<u>2/</u>
November		70		625		128		128		<u>2/</u>
December		82		631		145		145		0

1/ Includes instant nonfat dry milk. 2/ Less than 500,000 pounds.

**Source:** U.S. Department of Agriculture. Farm Service Agency. *Summary of Processed Commodities, August 2011*. National Agricultural Statistics Service. *Cold Storage and Dairy Products, September 2011*.



## AUGUST FLUID MILK SALES

During August, over 4.5 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.9 percent higher than August 2010. After adjusting for calendar composition, sales in August 2011 were 1.2 percent lower than August 2010. Estimated sales of total conventional fluid milk products increased 0.6 percent from August 2010 and estimated sales of total organic fluid milk products increased 7.5 percent from a year earlier.

**Editor's Note:** Additional data can be found at <http://www.ams.usda.gov/AMSV1.0/FluidMilkSalesDataMonthlyandYeartoDate>.

**ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,  
AUGUST 2011, WITH COMPARISONS 1/**

Product Name	Sales		Change from: 2/	
	August	Year to Date	Previous Year	Year to Date
	Million Pounds		Percent	
Whole Milk	1,174	9,108	-0.6	-2.9
Flavored Whole Milk	43	346	-5.7	-4.5
Reduced Fat Milk (2%)	1,564	12,085	1.4	-1.8
Low Fat Milk (1%)	596	4,634	4.2	-0.1
Fat-Free Milk (Skim)	656	5,154	-0.6	-3.4
Flavored Fat-Reduced Milk	255	2,403	-1.4	-1.4
Buttermilk	41	312	4.6	0.9
Total Conventional Milk Products 5/	4,330	34,063	0.6	-2.2
Organic Whole Milk	41	327	7.3	20.1
Organic Reduced Fat Milk	50	384	3/	3/
Organic Low Fat Milk	33	270	3/	3/
Organic Fat-Free Milk (Skim)	39	307	3/	3/
Organic Flavored Milk	8	63	3/	3/
Organic Fat-Reduced Milk 4/	130	1,027	7.6	16.1
Total Organic Milk Products	171	1,354	7.5	17.1
Total Fluid Milk Products 5/	4,501	35,417	0.9	-1.5
Total Fluid Milk Products Adjusted 5/ 6/	4,458	35,469	-1.2	-1.4

1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; 3/ Volume figures are not available for the previous year. Percentage changes are based on combined data under Organic Fat-Reduced Milk. 4/ Total of organic reduced fat, lowfat, skim, flavored, and miscellaneous milk products combined. 5/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 6/ Sales volumes and percent changes have been adjusted for calendar composition; see <http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELDEV3023272>

**PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS  
AND CALIFORNIA, AUGUST 2011, WITH COMPARISONS 1/**

Area (Order Number)	Sales		Change from: 2/	
	August	Year to Date	Previous Year	Year to Date
	Million Pounds		Percent	
Northeast (001)	751	5,988	-1.7	-2.0
Appalachian (005)	310	2,367	0.9	-1.4
Southeast (007)	428	3,237	0.9	-1.8
Florida (006)	239	1,929	-0.6	-2.4
Mideast (033)	498	3,932	0.6	-2.3
Upper Midwest (030)	345	2,784	-0.7	-1.9
Central (032)	386	2,978	3.1	-0.1
Southwest (126)	376	2,941	2.1	-0.4
Arizona (131)	101	781	0.6	-0.4
Pacific Northwest (124)	179	1,456	-0.9	-0.4
California (---)	528	4,191	0.0	-1.8

1/ These figures are representative of the consumption of total fluid milk products in the respective area; see 5/ above for the products included. 2/ Percent changes, as well as sales volumes, are shown on an unadjusted basis.

**Source:** U.S. Department of Agriculture. California Department of Food and Agriculture. Milk Stabilization Branch. *California Dairy Information Bulletin*, August 2011.

### ANNOUNCED COOPERATIVE CLASS I PRICES FOR SELECTED CITIES IN FEDERAL MILK ORDERS, NOVEMBER 2011, WITH COMPARISONS <sup>1/</sup>

For November 2011, the all-city average announced cooperative Class I price was \$23.55 per cwt., \$2.46 higher than the Federal milk order (FMO) Class I price average for these cities. The November 2011 Cooperative Class I price was \$1.14 lower than the October 2011 price. The November 2011 Federal order Class I price was \$1.11 lower than the October 2011 price. On an individual city basis, the difference between the Federal order and announced cooperative Class I price ranged from \$.52 in Phoenix, AZ, to \$4.21 in Miami, FL. For November 2010, the all-city average announced cooperative Class I price was \$22.33, \$2.45 higher than the Federal order Class I price average for these cities. Note: For most cities, the Announced Cooperative Class I Price now includes premiums paid for milk produced without rBSt.

City	NOVEMBER 2011		
	Announced Cooperative Class I Price	Federal Milk Order Class I Price	Difference
	Dollars per hundredweight, 3.5% butterfat		
Atlanta, GA	25.44	22.25	3.19
Baltimore, MD	23.12	21.45	1.67
Boston, MA	23.30	21.70	1.60
Charlotte, NC	25.22	21.85	3.37
Chicago, IL	23.74	20.25	3.49
Cincinnati, OH	23.79	20.65	3.14
Cleveland, OH	23.59	20.45	3.14
Dallas, TX	22.13	21.45	0.68
Denver, CO	22.42	21.00	1.42
Des Moines, IA	22.98	20.25	2.73
Detroit, MI	23.36	20.25	3.11
Hartford, CT	23.20	21.60	1.60
Houston, TX	23.38	22.05	1.33
Indianapolis, IN	23.59	20.45	3.14
Kansas City, MO	22.67	20.45	2.22
Louisville, KY	23.92	20.75	3.17
Memphis, TN	24.52	21.35	3.17
Miami, FL	28.66	24.45	4.21
Milwaukee, WI	23.69	20.20	3.49
Minneapolis, MN	22.40	20.15	2.25
New Orleans, LA	24.42	22.25	2.17
Oklahoma City, OK	23.13	21.05	2.08
Omaha, NE	22.73	20.30	2.43
Philadelphia, PA	24.62	21.50	3.12
Phoenix, AZ	21.32	20.80	0.52
Pittsburgh, PA	24.27	20.55	3.72
St. Louis, MO	23.07	20.45	2.62
Seattle, WA	21.13	20.35	0.78
Springfield, MO	23.43	20.85	2.58
Washington, DC	23.12	21.45	1.67
Wichita, KS	22.55	20.65	1.90
Simple Average	23.55	21.09	2.46

<sup>1/</sup> This table contains information from the Class I price announcements sent by the major cooperatives in each city market to all handlers who buy milk from them. These over-order prices include charges for various services performed by the cooperative. In some instances, these over-order prices may not include all credits that may be allowed. These prices have not been verified as having been actually paid by handlers.

## CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE 1/

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish, and Eggs	
	CPI 2/	Pct. Chg. 3/	CPI 2/	Pct. Chg. 3/	CPI 2/	Pct. Chg. 3/	CPI 2/	Pct. Chg. 3/	CPI 2/	Pct. Chg. 3/	CPI 2/	Pct. Chg. 3/
JUL 2011	228.3	4.2	214.8	7.9	213.6	10.2	220.9	8.1	218.3	21.0	224.4	7.4
AUG 2011	229.6	4.6	216.7	9.1	216.4	12.6	223.0	8.8	218.1	16.8	225.7	8.0
SEP 2011	230.6	4.7	219.4	10.2	216.6	13.0	227.1	10.2	215.6	9.2	227.2	7.5
<b>U.S. City Average Retail Prices</b>												
Month	Whole Milk 4/		Butter 5/		Process Cheese 6/		Natural Cheese 7/		Ice Cream 8/			
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	Dollars											
JUL	3.654	3.313	3.694	3.155	4.093	3.956	5.596	4.631	4.862	4.432		
AUG	3.713	3.303	3.645	3.242	4.204	3.811	5.647	4.650	4.792	4.421		
SEP	3.715	3.278	3.656	3.573	4.281	3.864	5.707	4.726	4.805	4.325		

1/ "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. 2/ The standard reference base period for these indexes is 1982-1984 = 100. 3/ Percent change over previous year. 4/ Per gallon. 5/ Per pound. Grade AA, salted, stick butter. 6/ Per pound, any size and type of package. 7/ Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). 8/ Per 1/2 gallon prepackaged regular.

## COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—JUNE-AUGUST 2011 AND YEAR-TO-DATE 2010-2011 1/

Item	Jun.-Aug. 2010	Percent change 2/	Jun.-Aug. 2011	Percent change 2/	Jan.-Aug. 2010	Percent change 2/	Jan.-Aug. 2011	Percent change 2/
	Million Pounds							
<b>MILK</b>								
Production	48,903	2.6	49,461	1.1	129,737	1.4	131,779	1.6
Marketings	48,662	2.6	49,217	1.1	129,101	1.4	131,135	1.6
Beginning Commercial Stocks 3/	13,712	-2.3	12,884	-6.0	11,334	12.8	10,927	-3.6
Imports 3/	844	-25.3	654	-22.5	2,022	-25.2	1,809	-10.5
Total Supply 4/	63,218	1.0	62,755	-0.7	142,457	1.7	143,871	1.0
Ending Commercial Stocks 3/	12,772	-11.4	12,691	-0.6	12,772	-11.4	12,691	-0.6
Net Removals 3/	0	100.0	0	0.0	112	128.6	112	0.0
Commercial Disappearance 4/	50,446	4.5	50,064	-0.8	129,573	3.2	131,180	1.2
<b>SELECTED PRODUCTS 5/</b>								
Butter	392.2	11.3	425.1	8.4	1,024.2	4.8	1,135.7	10.9
American Cheese	1,080.3	2.5	1,043.0	-3.5	2,817.6	0.6	2,841.5	0.8
Other Cheese	1,608.3	4.6	1,628.8	1.3	4,152.1	4.4	4,347.4	4.7
Nonfat Dry Milk	371.4	-6.2	387.0	4.2	1,046.0	6.6	1,013.5	-3.1
Fluid Milk Products 6/	12,973.0	-2.3	12,770.2	-1.6	35,973.5	-1.4	35,417.3	-1.5

1/ Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. 2/ From year earlier on a daily average basis. 3/ Milk-equivalent, milkfat basis. 4/ Totals may not add because of rounding. 5/ Commercial disappearance in product pounds. 6/ Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition.

Source: U.S. Department of Agriculture. Economic Research Service. Agricultural Marketing Service. *Fluid Milk Products*.

**OVER-ORDER CHARGES ON PRODUCER MILK, BY CLASS OF UTILIZATION,  
BY FEDERAL MILK ORDER MARKETING AREA, AUGUST 2011 1/**

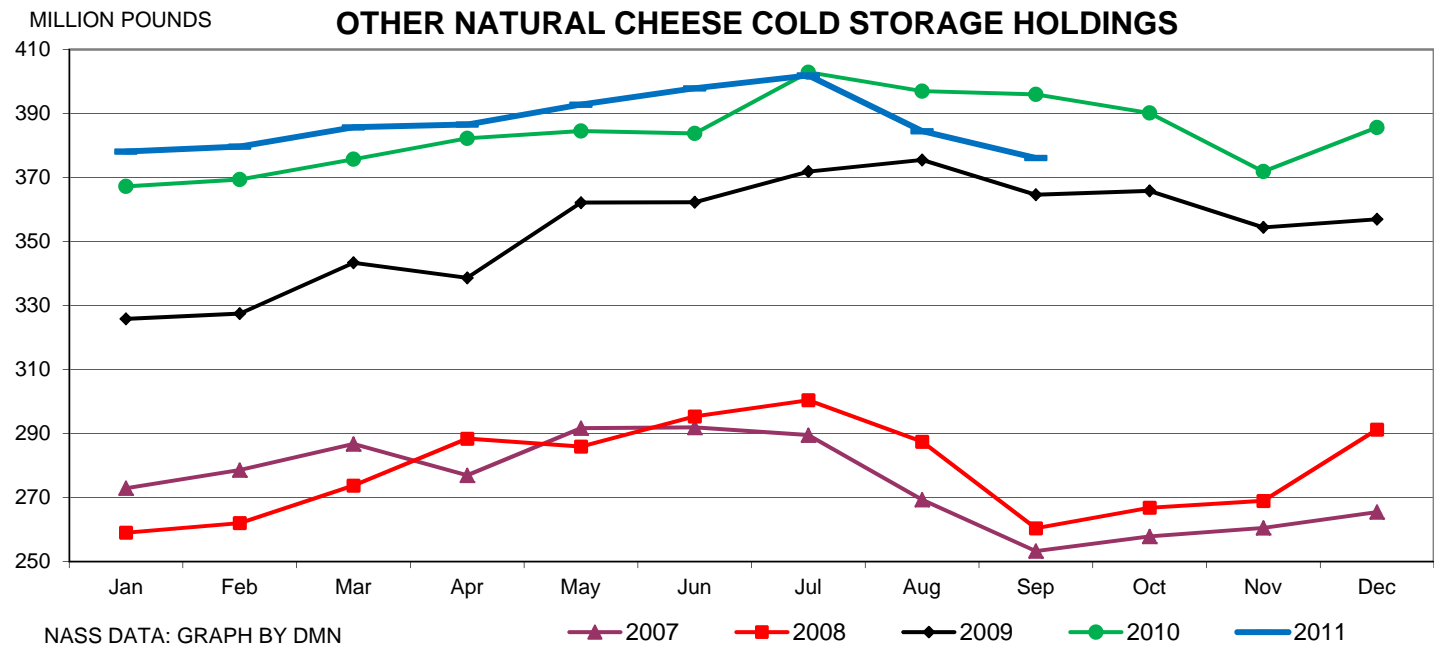
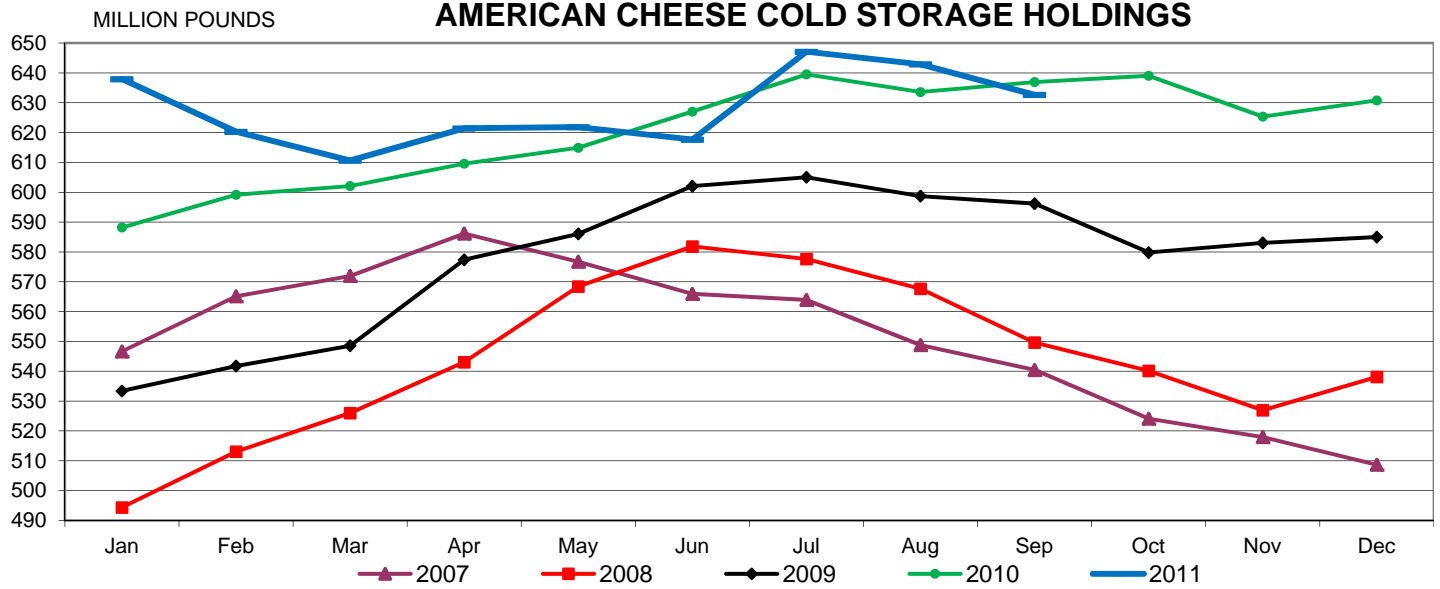
For August 2011, the all reporting areas combined average over-order charge on producer milk used in Class I was \$2.15 per cwt., up \$0.02 from the July 2011 average. Ninety percent of the producer milk used in Class I carried an over-order charge. On an individual order basis, Class I over-order charges ranged from \$0.77 in the Pacific Northwest to \$3.10 in Florida. For producer milk used in Class II, the all reporting areas combined average over-order charge was \$1.17 per cwt., down \$0.05 per cwt. from the July 2011 average. Seventy-six percent of the producer milk used in Class II carried an over-order charge.

Federal Milk Order Marketing Area 2/	Order Number	Weighted Average of Over-Order Charges Spread Over Total Class I Milk 1/	Weighted Average of Over-Order Charges Spread Over Total Class II Milk 1/
		\$/cwt	
Appalachian	005	2.96	1.12
Southeast	007	2.79	2.11
Florida	006	3.10	0.61
Mideast	033	1.98	1.46
Upper Midwest	030	1.94	0.92
Central	032	1.83	1.00
Pacific Northwest	124	0.77	0.57
All Reporting Areas Combined 3/		2.15	1.17

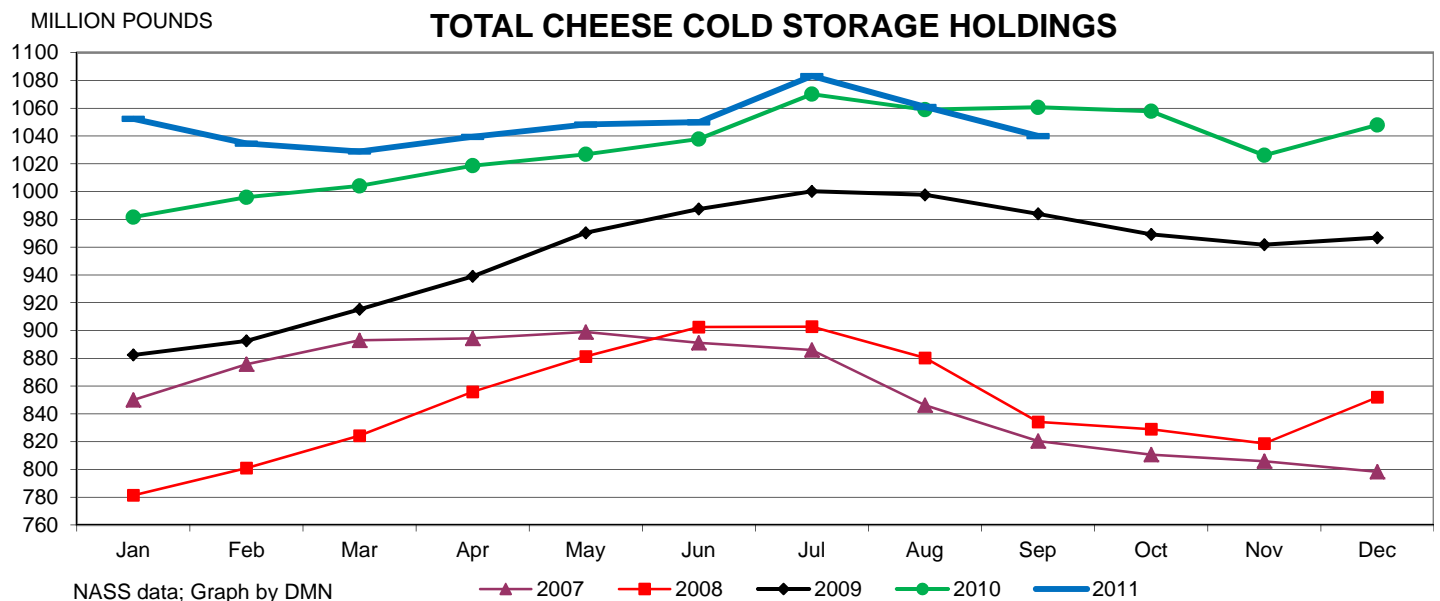
1/ Figures are weighted averages of all the over-order charges applicable to any volume of milk used in the respective class spread over 100 percent of the producer milk used in that class. Includes some producer milk for which there was no over-order charge.

2/ Information is available for all Federal milk marketing areas except the Northeast and Southwest. See 3/.

3/ Figures are weighted averages of the available individual marketing area data; includes information for the Arizona order which is administratively confidential.

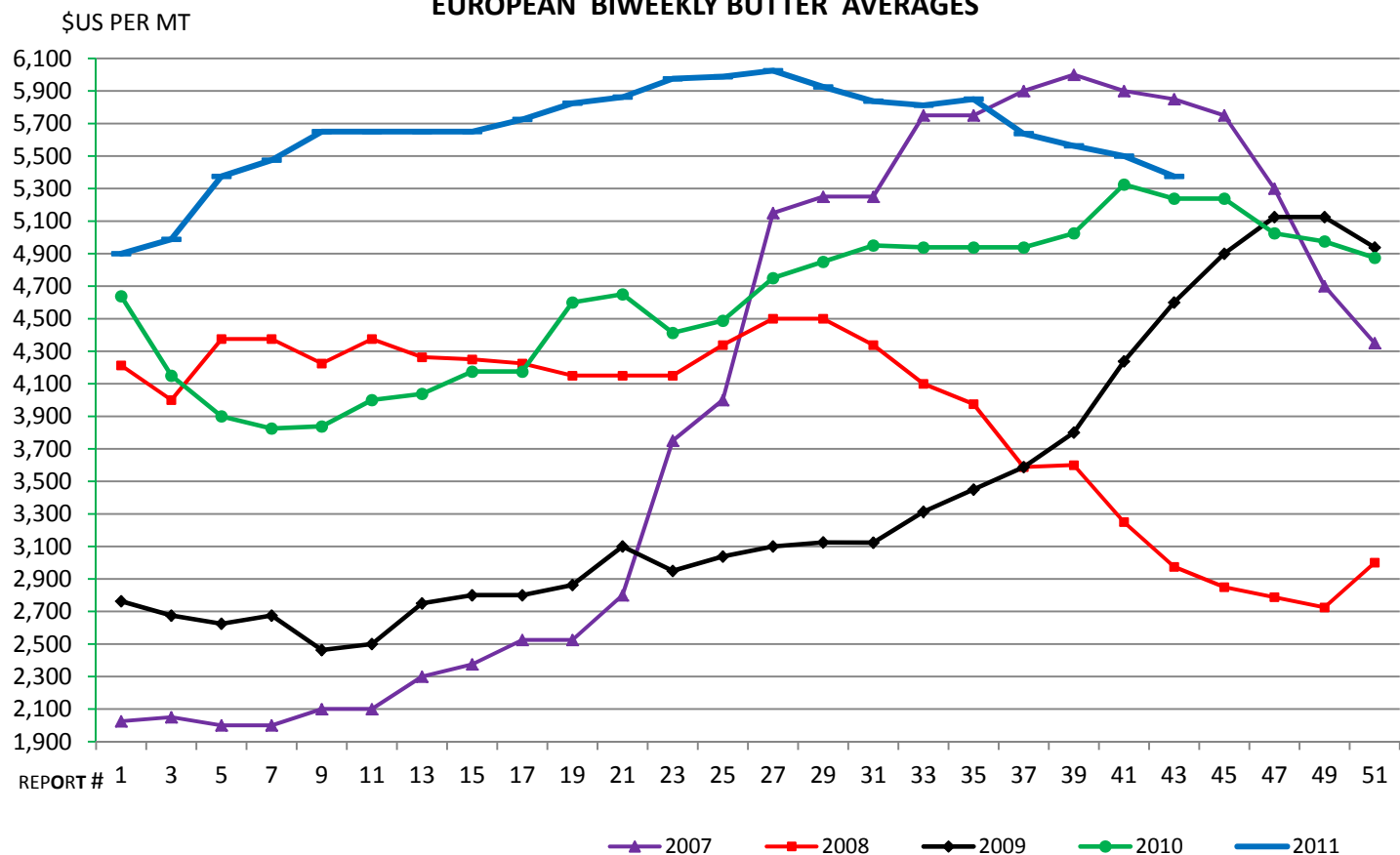


NASS DATA: GRAPH BY DMN

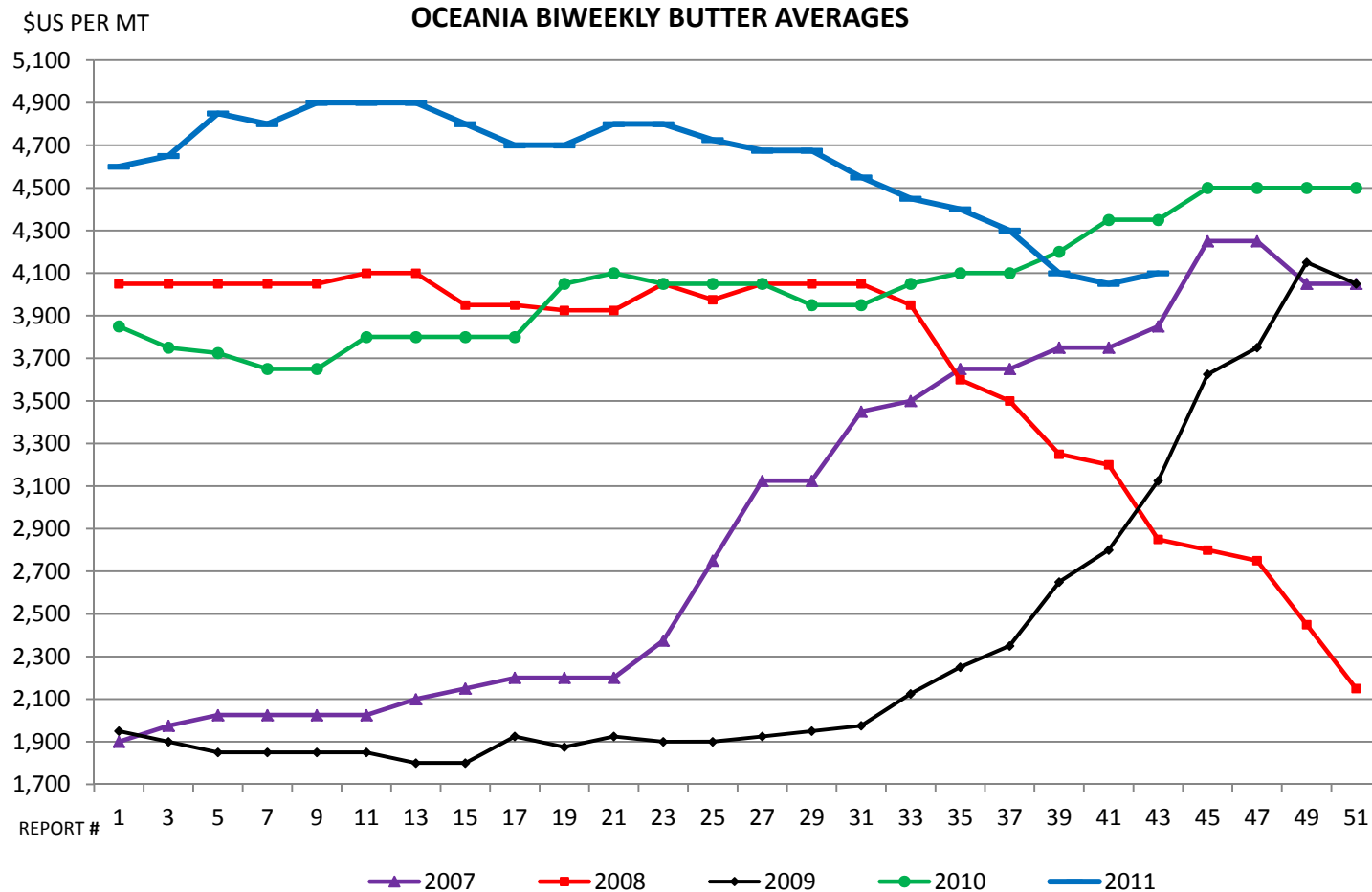


NASS data; Graph by DMN

## EUROPEAN BIWEEKLY BUTTER AVERAGES

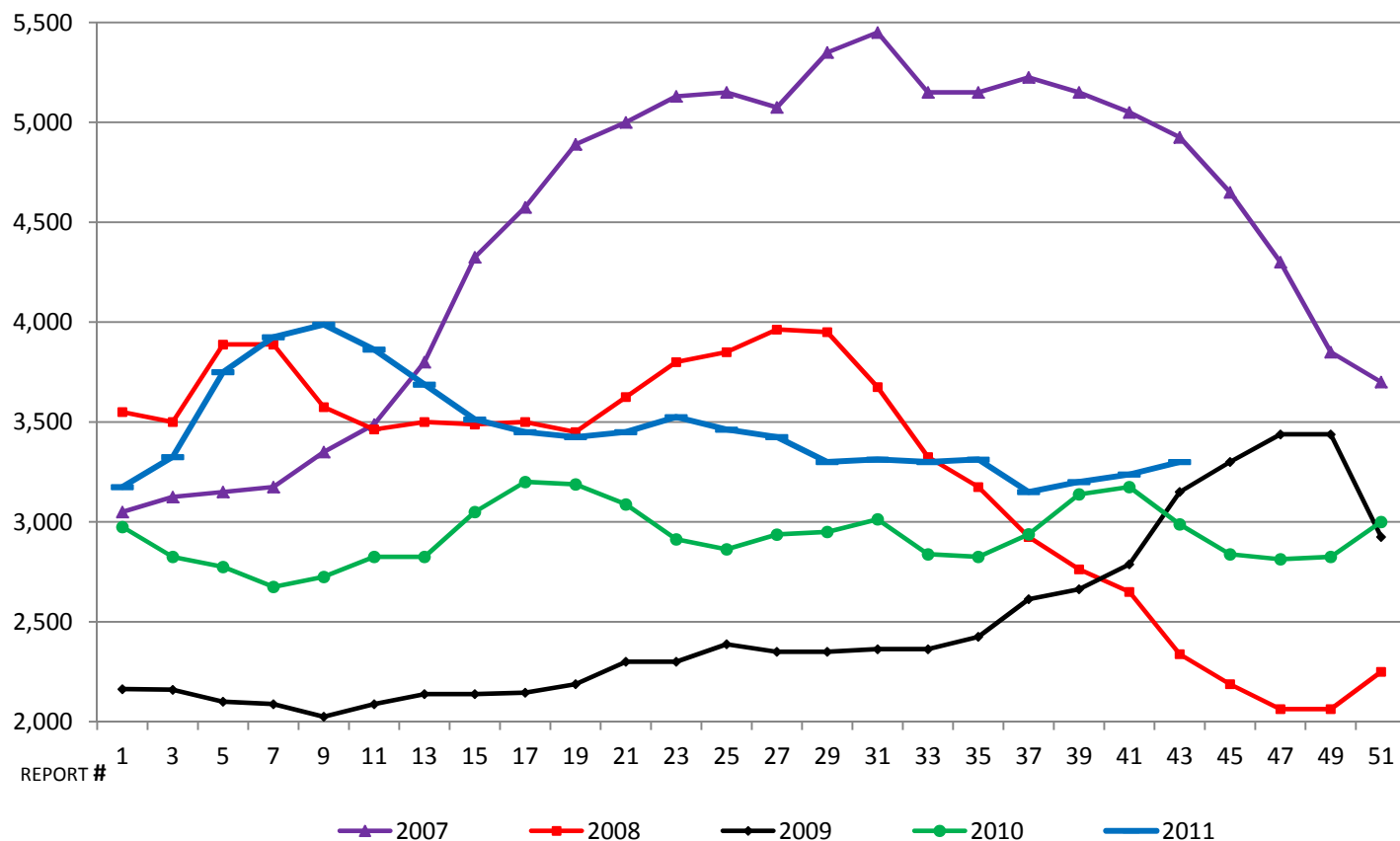


## OCEANIA BIWEEKLY BUTTER AVERAGES



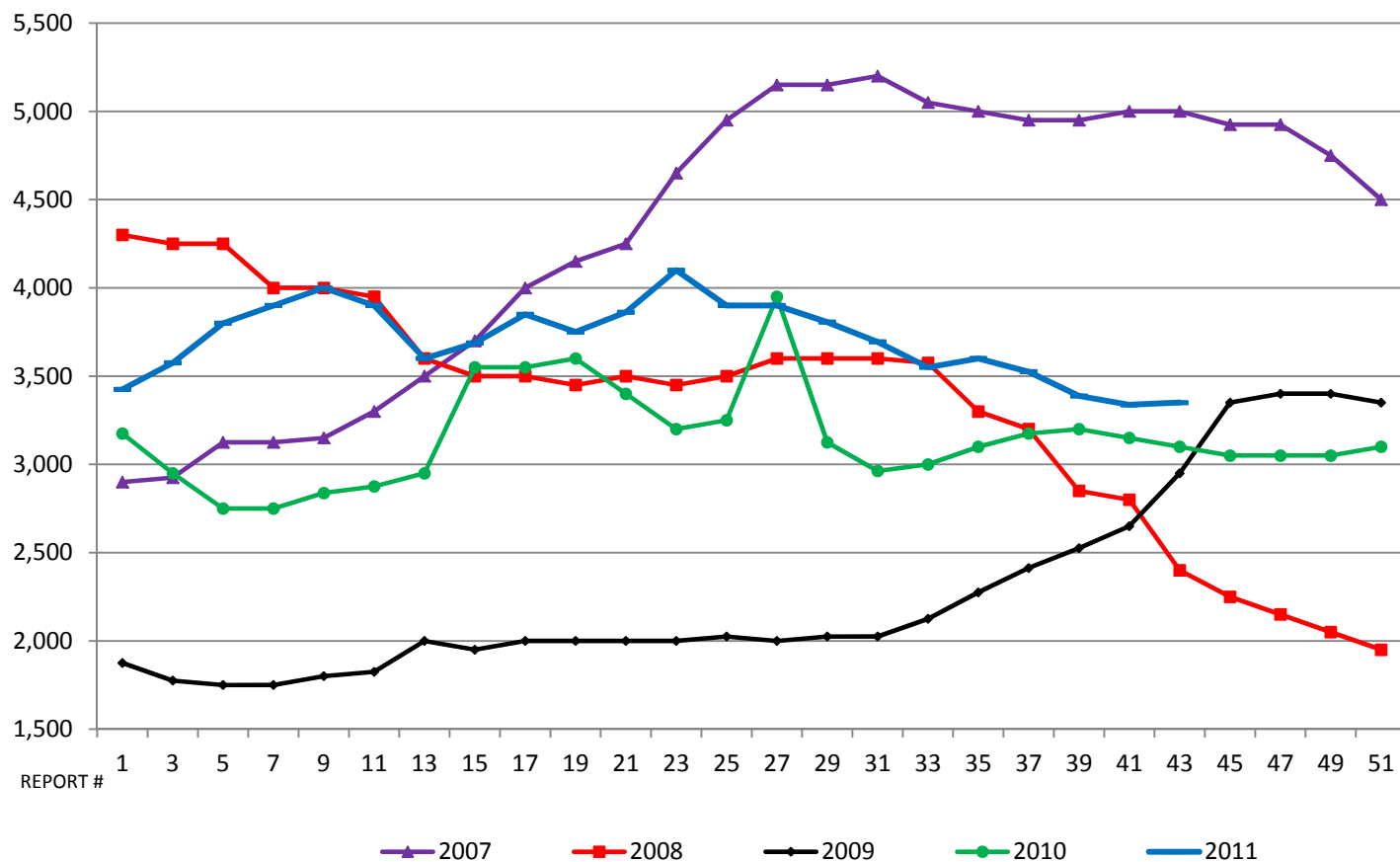
\$US PER MT

## EUROPEAN SKIM MILK POWDER



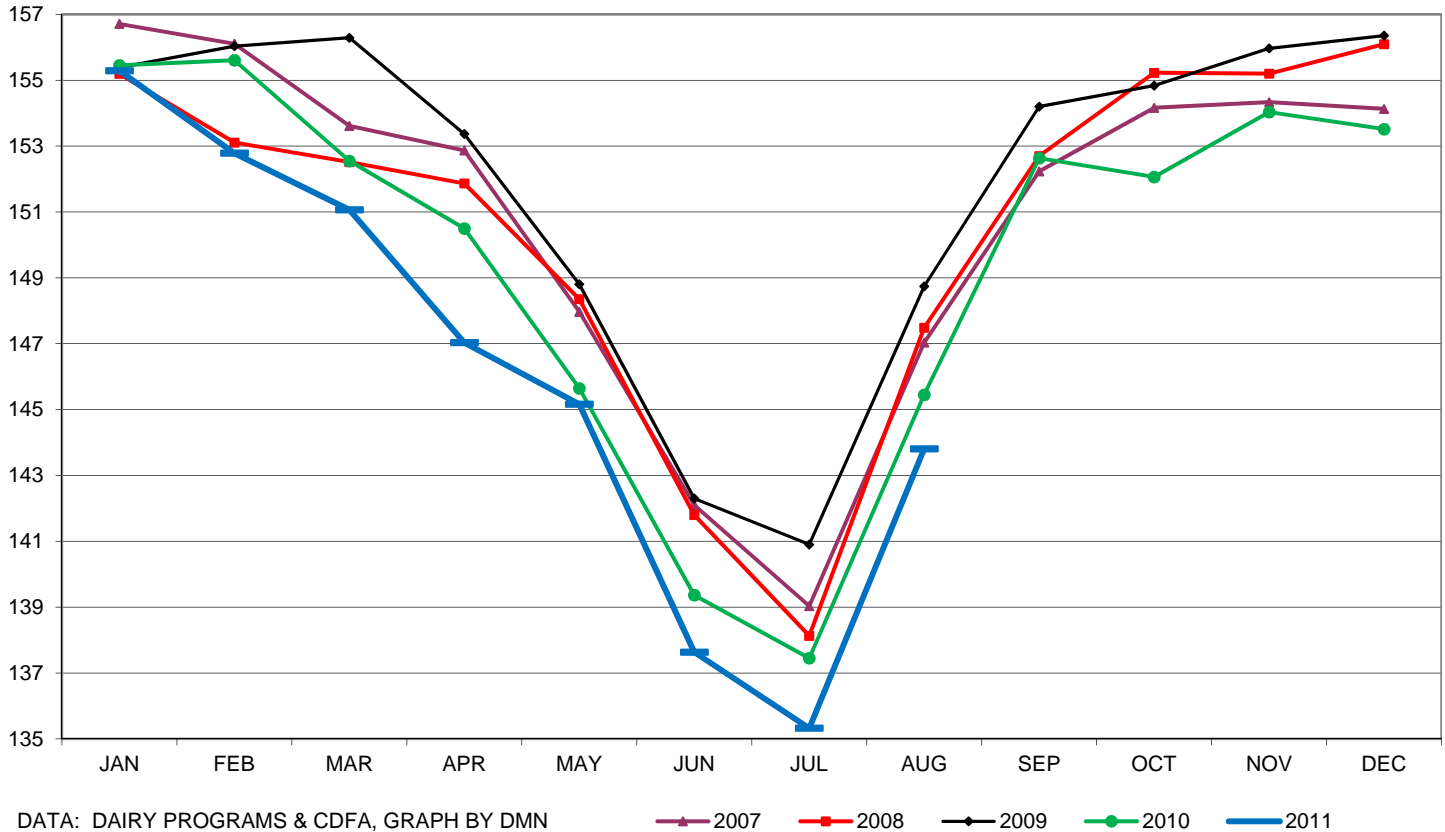
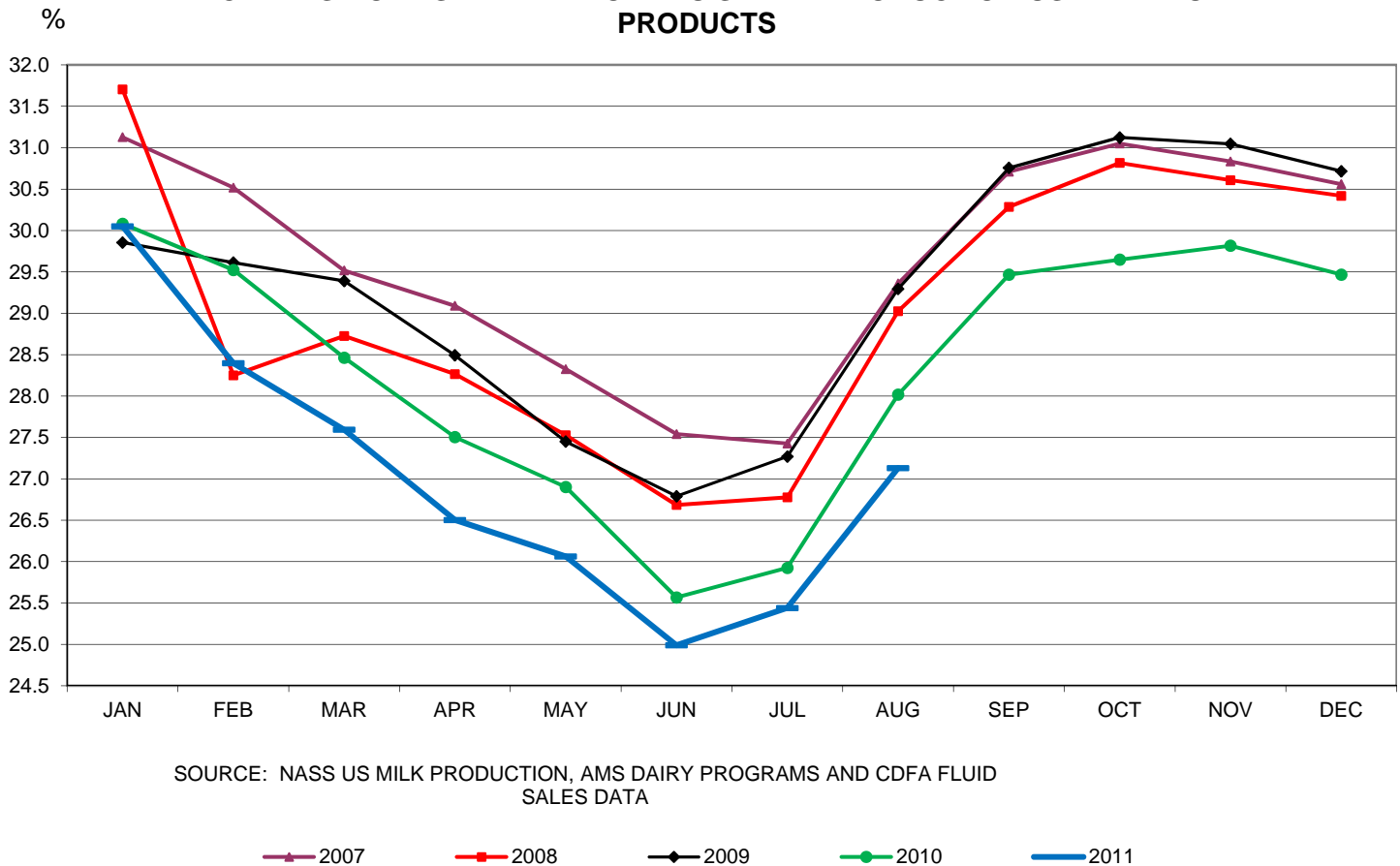
## OCEANIA SKIM MILK POWDER

\$US PER MT



**ESTIMATED DAILY AVERAGE U.S. PACKAGED FLUID PRODUCT SALES**

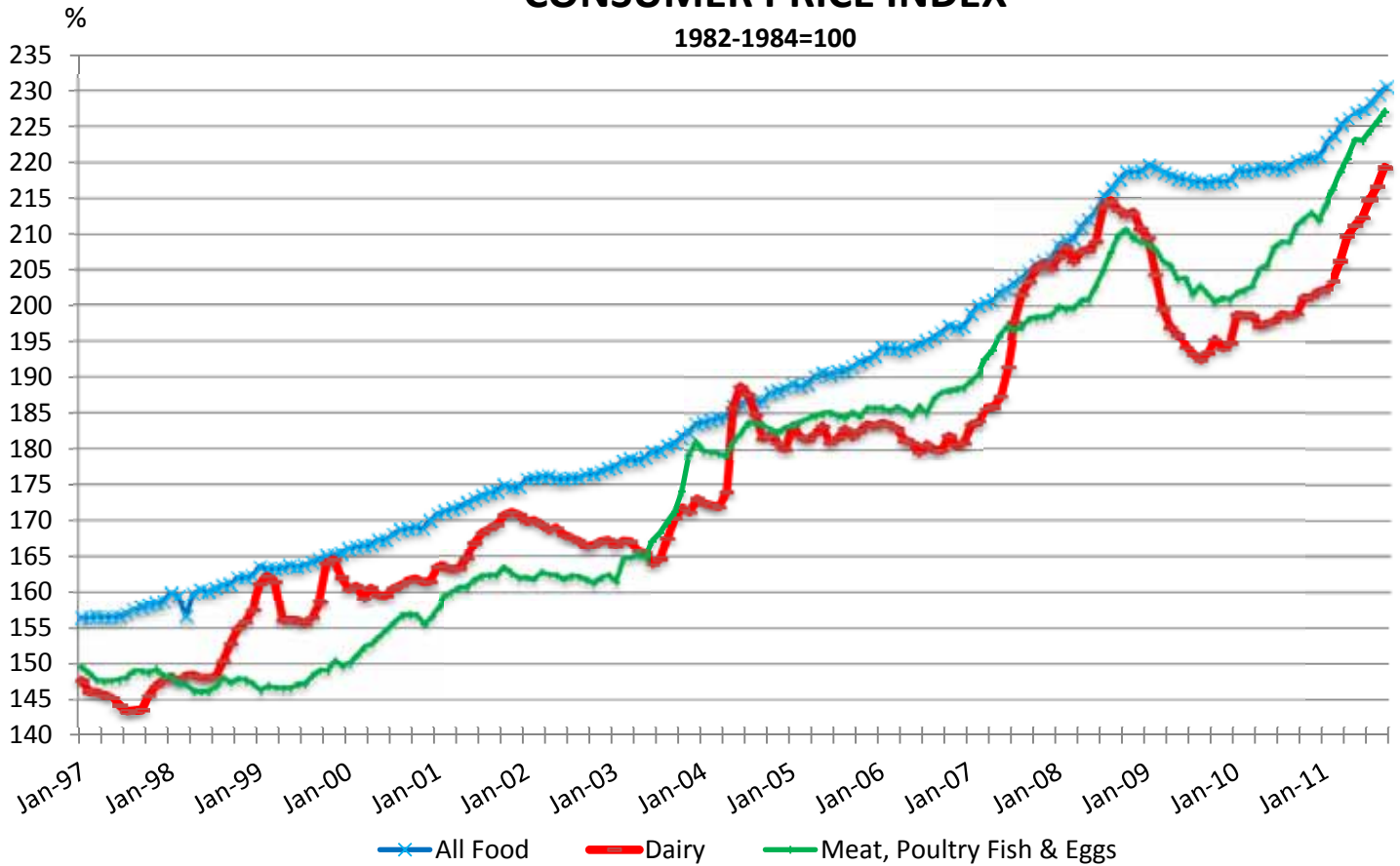
MILLION POUNDS

**PERCENTAGE OF ESTIMATED TOTAL U.S. MILK PRODUCTION USED IN FLUID PRODUCTS**



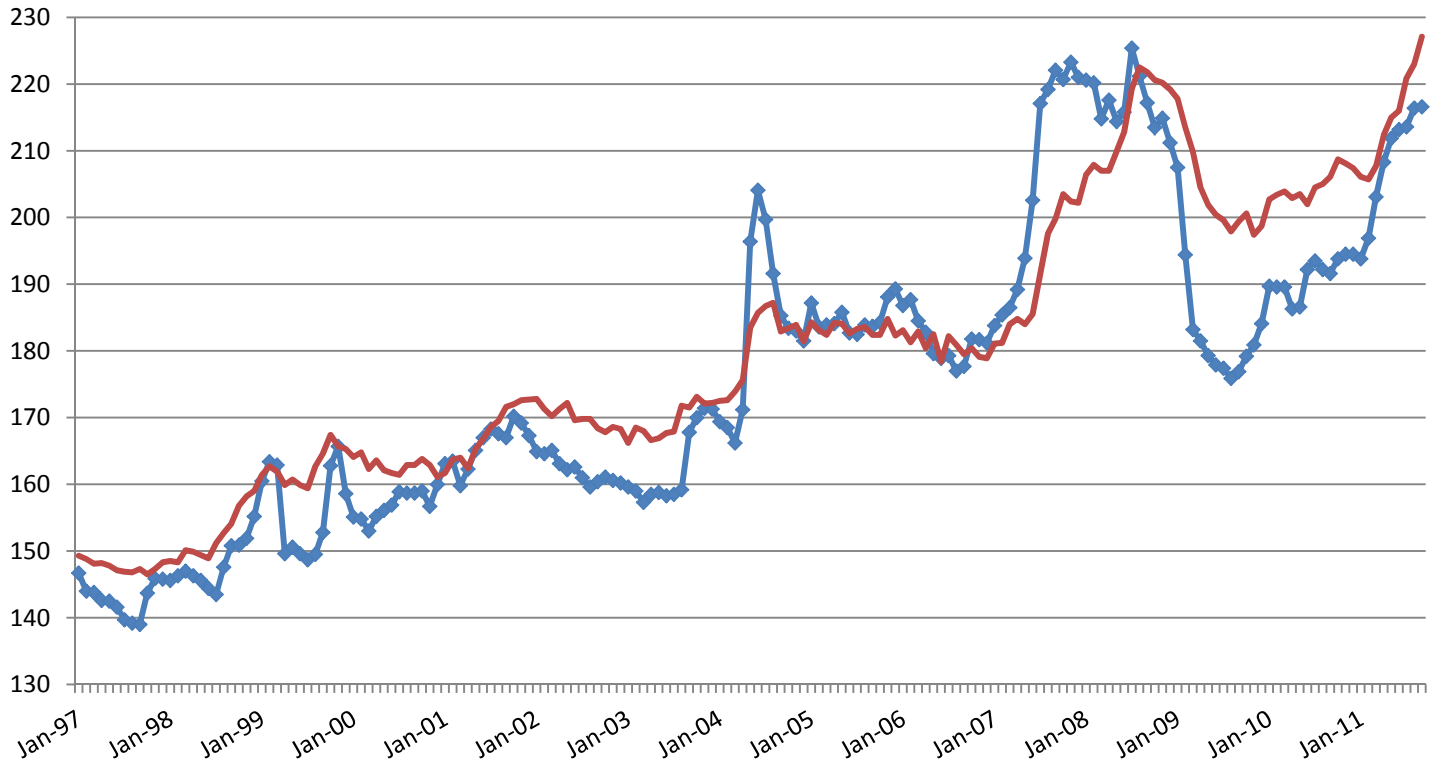
# CONSUMER PRICE INDEX

1982-1984=100



## CONSUMER PRICE INDEX DAIRY PRODUCTS

1982-1984=100  
%



Source: US Dept of Labor. BLS, Graph by DMN

◆ FRESH WHOLE MILK — CHEESE

# DAIRY MARKET NEWS

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